# Disciplinary and Other FINRA Actions

## Firm and Individual Fined

**J. Alden Associates, Inc. (CRD® #40002, Jenkintown, Pennsylvania) and Peter Alden Engelbach (CRD #201177, Registered Principal, Washington Crossing, Pennsylvania)** submitted a Letter of Acceptance, Waiver and Consent in which the firm and Engelbach were censured and fined $10,000, jointly and severally, and the firm was fined an additional $5,000. Without admitting or denying the findings, the firm and Engelbach consented to the described sanctions and to the entry of findings that the firm failed to develop and enforce written procedures reasonably designed to achieve compliance with NASD Rule 3010(d)(2) regarding the review of electronic correspondence. The findings stated that although the firm had certain relevant procedures in place, it did not have a satisfactory system for providing designated principals with access to such correspondence for review. Instead, the firm relied on registered representatives to print and forward any emails involving customers to the firm, but the firm did not have effective procedures to monitor its representatives' compliance with the email-forwarding requirement. The findings also stated that the firm, acting through Engelbach, its president and chief executive officer (CEO), failed to establish, maintain and enforce an adequate system of supervisory control policies and procedures that tested and verified that its supervisory procedures were reasonably designed with respect to the firm's activities and its registered representatives and associated persons to achieve compliance with applicable securities laws and regulations; and created additional or amended supervisory procedures where such testing and verification identified the need. The findings also included that the firm, acting through Engelbach, failed to prepare an annual certification from its CEO (or equivalent officer) that it had in place processes to establish, maintain, review, test and modify written compliance policies and written supervisory procedures (WSPs) reasonably designed to achieve compliance with applicable FINRA® rules, Municipal Securities Rulemaking Board (MSRB) rules and federal securities laws and regulations, and that the CEO had conducted one or more meetings with the firm's chief compliance officer (CCO) in the preceding 12 months to discuss such processes. FINRA found that the firm, acting through Engelbach, failed to implement its Customer Identification Program (CIP) in that it did not verify customer identities for accounts opened with the firm. The firm, acting through Engelbach, also failed to ensure compliance with the Bank Secrecy Act by failing to enforce its procedures requiring the firm to review all Section 314(a) requests that it received from the Financial Crimes Enforcement Network (FinCEN). (**FINRA Case #2009016226801**)

## Reported for March 2012

FINRA has taken disciplinary actions against the following firms and individuals for violations of FINRA rules; federal securities laws, rules and regulations; and the rules of the Municipal Securities Rulemaking Board (MSRB).

## Firm Fined, Individual Sanctioned

**Tradespot Markets Inc. fka Beloyan Investment Securities, Inc. (CRD #29683, Davie, Florida) and Mark Bedros Beloyan (CRD #1392748, Registered Principal, Davie, Florida)** were fined $13,500, jointly and severally. Beloyan was suspended from association with any FINRA member in any capacity for 10 business days. The National Adjudicatory Council (NAC) imposed the sanctions following appeal of an Office of Hearing Officers (OHO) decision. The sanctions were based on findings that Beloyan, acting on the firm's behalf, drafted and distributed emails in which he recommended the purchase of securities, and those recommendations were unbalanced, misleading, included material misrepresentations and omitted material facts. The findings stated that Beloyan and the firm failed to review one of the companies' current financial statements before recommending the purchase of its stock in emails.

The suspension was in effect from February 27, 2012, through March 9, 2012. (**FINRA Case #2005001988201**)

## Firms Fined

**Banc of America Securities LLC nka Merrill Lynch, Pierce, Fenner & Smith Inc. (CRD #26091, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $35,000 and ordered to pay $11,616.23, plus interest, in restitution to customers. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that, in paired transactions involving customers, it sold (bought) corporate bonds to (from) customers and failed to sell (buy) such bonds at a price that was fair, taking into consideration all relevant circumstances, including market conditions with respect to each bond at the time of the transaction, the expense involved and that the firm was entitled to a profit. (**FINRA Case #2009017410401**)

**Banc of America Securities, LLC nka Merrill Lynch, Pierce, Fenner & Smith Inc. (CRD #26091, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $10,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report to the Trade Reporting and Compliance Engine® (TRACE®) transactions in TRACE-eligible securities within 15 minutes of execution time. (**FINRA Case #2009019167901**)

**BNY Convergex Execution Solutions LLC nka Convergex Execution Solutions LLC (CRD #35693, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $20,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report short interest positions to NASD® on certain settlement dates for over a year, totaling more than 300,000 shares. The findings stated that the firm's short interest position report for a settlement date included short interest positions totaling more than

52,000 shares when the firm should not have reported any short interest positions for these securities. The findings also stated that the firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its WSPs in connection with short interest reporting. (**FINRA Case #2006007321901**)

**BOSC, Inc. (CRD #17530, Tulsa, Oklahoma)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $75,000 and required to pay $25,141, plus interest, in restitution to investors. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it sold municipal securities for its own account to a customer at an aggregate price (including any markup) that was not fair and reasonable, taking into consideration all relevant factors, including the best judgment of the broker, dealer or municipal securities dealer as to the fair market value of the securities at the time of the transaction and of any securities exchanged or traded in connection with the transaction; the expense involved in effecting the transaction; the fact that the broker, dealer or municipal securities dealer is entitled to a profit; and the total dollar amount of the transaction. (**FINRA Case #2008013650001**)

**Cadaret, Grant & Co., Inc. (CRD #10641, Syracuse, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $200,000, and shall undertake to allow each of the living customers, involved in this matter, to rescind the purchase of each of the variable annuities (VAs) identified in this matter, by offering to rebate to each of the affected living customers the purchase price of his or her original investment, interest from the date of purchase until the effective date of this AWC, and any applicable surrender charges charged to the customer (except to the extent the firm already paid such surrender charges), less the amount of any income received on or withdrawals from the VAs. The firm further consented to undertake a comprehensive review of its policies and procedures concerning suitability of VAs and, within 90 days of Notice of Acceptance of this AWC, the firm's director of compliance shall certify in writing to FINRA that the firm has engaged in a comprehensive review of its policies and procedures concerning suitability of VAs; as of the date of the certification, the firm has in place sufficient written policies and procedures designed to ensure compliance with its suitability obligation pertaining to VAs, including but not limited to the matters identified in this AWC.

Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that the firm, acting through one of its then registered representatives, recommended several unsuitable VA transactions to elderly customers. The findings stated that the transactions were unsuitable due to a recommended enhanced death benefit rider, which would provide only limited value and demonstrated that the representative did not understand or appreciate the significance of an age restriction or the reduced benefit of the rider when sold to a person close in age to the cutoff. The findings also stated that the firm failed to adequately respond to "red flags" concerning the representative's VA sales. Prior to being associated with the firm, the representative had

several customer complaints on her Uniform Application for Securities Industry Registration or Transfer (Form U4), some of which related to annuity sales. After the representative became associated with the firm, some additional customers filed complaints connected with VA sales, as reflected in amended Form U4s the firm filed. The findings also included that despite these complaints, the representative was never placed on heightened supervision and her VA transactions were never subject to greater supervisory review or scrutiny. The firm received actual notice that the representative had been the subject of a FINRA Wells Notice for unsuitable VA sales transacted at her prior firm, but the firm failed to heighten the representative's supervision in any way. Some of the unsuitable recommendations took place after the firm received notice of the Wells.

FINRA found that the firm failed to have adequate systems and procedures to review VA sales. The representative's supervisor reviewed and approved the representative's VA transactions, which were subject to a second-level of review by the firm's VA Department. FINRA also found that the firm failed to ensure that its supervisors, including the representative's supervisor, were properly trained and knowledgeable about the VAs they were reviewing and approving. The second-level review process relied on a single reviewer, who reviewed a large number of VA transactions each day, in addition to performing other duties, and did not have any VA-specific surveillance or exception reports to assist in the review. In addition, FINRA determined that a VA log and a trading report failed to provide all the information necessary to assist supervisors in conducting a VA review. The VA log failed to have all the information necessary to conduct a suitability review and was not accessible to registered representatives or all of their principals. The trading report did not contain the information necessary for a principal to review a transaction for suitability and also failed to contain certain information necessary to comply with the firm's own standards for reviewing the transactions in the report. Moreover, FINRA found that the firm failed to enforce its policies and failed to retain business-related emails for some of its representatives. Although the firm had a policy prohibiting the use of personal email accounts for business-related communications, the firm knew, or should have known, that certain of its representatives, including the representative who made unsuitable recommendations, her supervisor, and a third colleague in her branch, were using personal email addresses for business-related correspondence. The representative's use of personal emails was known to her supervisor, who mistakenly believed that the firm's systems captured such emails, but was also known to others at the firm, because, among other things, the representative communicated with the firm's compliance department via personal email. (**FINRA Case #2008015475201**)

**CFT Securities, LLC (CRD #46226, Edison, New Jersey)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $47,500 and ordered to pay $23,750, plus interest, in restitution to a customer. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that in several transaction pairs, it bought corporate bonds from a customer and failed to buy such bonds at a price that was fair, taking into consideration all relevant circumstances, including market conditions with respect to each bond at the time of the transactions, the expense involved and that the firm was entitled to a profit. (**FINRA Case #2009020788101**)

**Charles Vista LLC (CRD #132650, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $12,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to accurately compute its net capital, minimum required net capital (MRNC) and excess net capital (ENC). The findings stated that as a result of these errors, the firm had inaccurate general ledgers, overstated net capital and had inaccurate quarterly Financial and Operational Combined Uniform Single (FOCUS) filings. The firm did not fall below its minimum required net capital. The findings also stated that the firm began operations after having purchased a former FINRA member firm, which had been in operation under a different name and ownership structure. When the firm took over the former member firm's operations, it failed to obtain certain of its books and records that were required to be maintained consistent with Securities and Exchange Commission (SEC) and FINRA rules. The findings also included that FINRA staff found that the firm was missing and never obtained copies of Forms U4 and Uniform Termination Notices for Securities Industry Registration (Forms U5), copies of supervisory control procedures, anti-money laundering (AML) procedures, copies of AML independent tests, copies of annual reports to senior management and CEO attestations, correspondence to/from FINRA and other regulatory authorities, and copies of customer complaints, arbitrations and litigations. The firm had an obligation to preserve and maintain the above required books and records for the periods of time specified under Securities Exchange Act of 1934 Rule 17a-4. FINRA found that at the time of purchase, the firm should have taken possession of all required books and records but failed to do so, and failed to notify the SEC and FINRA of its failure to obtain and retain such documents. FINRA also found that the firm employed an office assistant who had responsibilities including the issuing and processing of checks, handling securities and filing the firm's books and records, but the firm failed to require her to become fingerprinted until after FINRA staff brought the deficiency to the firm's attention. (**FINRA Case #2009016135901**)

**Credit Agricole Cheuvreux North America, Inc. (CRD #8010, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $10,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report to the FINRA/NASDAQ Trade Reporting Facility® (FNTRF) the correct symbol indicating the capacity in which it executed transactions in reportable securities. (**FINRA Case #2009021082702**)

**Empire Investment Inc. (CRD #16763, Flushing, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $15,000. FINRA imposed a lower fine against the firm in this case after it considered, among other things, the firm's revenues and financial resources. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it maintained General Securities Representative (GSR) and General Securities Principal (GSP) registrations for an individual who was inactive with the firm. The findings stated that the firm failed to provide FINRA with notice of its use of electronic storage media and failed to establish

adequate written procedures in connection with electronic communications. The firm had one designated computer to access emails, which were stored to the server and periodically backed up to a thumb drive. The findings also stated that the firm failed to provide FINRA with notification of its use of electronic storage media within 90 days prior to the firm's usage, have in place an audit system providing for accountability regarding inputting of records required to be maintained and preserved to electronic storage media, engage an independent third-party provider to have access and the ability to download the registered firm's information regarding its use of electronic storage media, and establish adequate procedures related to email retention. (**FINRA Case #2010021211701**)

**Esposito Securities, LLC (CRD #143710, Dallas, Texas)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $50,000 and required to revise its WSPs regarding Order Audit Trail System (OATS™) reporting. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to transmit most of its Reportable Order Events (ROEs) to OATS on numerous business days. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA rules concerning OATS reporting. The findings also stated that the firm transmitted Route or Combined Order/Route Reports to OATS that contained inaccurate, incomplete or improperly formatted data, so OATS was unable to match to the receiving firm's related new order report. (**FINRA Case #2009019832401**)

**Fintegra, LLC (CRD #16741, Minneapolis, Minnesota)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $25,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it had a supervisory system that was not reasonably designed to achieve compliance with securities laws and regulations. The findings stated that some of the firm's brokers executed mutual fund purchases for several customers and designated all of these transactions as being eligible for a waiver of the front-end load based on a $1 million right of accumulation although none of these purchases qualified for this waiver. The customers purchased a total of $14,230,255.38 of mutual funds without front-end loads when all of the transactions should have included front-end loads. As a result, the firm's brokers deprived the mutual fund companies of fees to which they were otherwise entitled, and their actions also caused the firm's books and records relating to these mutual fund purchases to contain false information. The findings also stated that the brokers circumvented the firm's oversight of the front-end loads customers owed on mutual fund purchases because the firm's supervisory system was inadequate to detect and prevent this misconduct. The findings also included that some firm brokers sold private placements of approximately $1,935,000; these sales were conducted through the representatives' entity, which was not affiliated with the firm. The firm had approved the outside entity of these representatives as an outside business activity but did not recognize that the private placement sales were actually private securities transactions, and therefore failed to obtain further information about the sales, which was necessary to review and approve these

sales and to supervise them as private securities transactions. The firm failed to ensure that these sales were recorded on its books and records as private securities transactions. FINRA found that on several occasions, the firm failed to timely amend its brokers' Form U4s to disclose the receipt of customer complaints against them. FINRA also found that on several occasions, the firm failed to submit timely and accurate statistical and summary information for customer complaints against the firm and its brokers. (**FINRA Case #2009016691401**)

**Great American Advisors, Inc. (CRD #36451, Cincinnati, Ohio)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $12,000. The firm has made restitution in the amount of $2,767.81 to its relevant customers. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it sold corporate bonds to customers and failed to sell such bonds at a price that was fair, taking into consideration all relevant circumstances, including market conditions with respect to each bond at the time of the transaction, the expense involved and that the firm was entitled to a profit. (**FINRA Case #2009019839301**)

**GWM Group, Inc. (CRD #42844, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $13,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report S1 transactions in TRACE-eligible securities to TRACE within 15 minutes of the execution time. The findings stated that the firm reported transactions in TRACE-eligible securities to TRACE that it was not required to report. The findings also stated that the firm failed to enforce its WSPs, which specified that evidence of supervisory review of TRACE reporting are to be documented with copies of TRACE Quality of Markets Report Cards, a note of action taken, the reviewer's initials and the date reviewed. (**FINRA Case #2010025471701**)

**Keybanc Capital Markets Inc. (CRD #566, Cleveland, Ohio)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $125,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to timely file official statements to the MSRB Electronic Municipal Market Access (EMMA) system and failed to disclose on a timely basis that neither an official statement nor a preliminary official statement had been prepared for a primary offering of municipal securities exempt from Securities Exchange Act Rule 15c2-12. The findings stated that due to a defect in a new back-office system, the yield on trade confirmations for certain callable securities was calculated based on the maturity date rather than the call date, so the firm failed to disclose the correct yield information on trade confirmations; of all of the incorrect trade confirmations, the substantial majority were electronic identification confirmations sent to the Depository Trust Corporation (DTC), while the rest were physically sent to the firm's institutional and corporate customers. The findings also stated that as a result of the system defect, for more than two years, the firm failed to include the proper yield information on confirmations provided to DTC or

the firm's institutional and corporate customers in connection with approximately 10,000 municipal securities transactions and approximately 35,000 non-municipal debt securities transactions. The findings also included that the firm failed to establish an adequate supervisory system and adequate WSPs with regard to trade confirmations involving municipal securities transactions and non-municipal debt securities transactions. (**FINRA Case #2010021007001**)

**Knight Direct LLC (CRD #135924, Jersey City, New Jersey)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $12,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it transmitted reports to OATS that either failed to include the appropriate special handling code or cancel type flag or contained an incorrect cancel quantity. The findings stated that the firm also failed to submit "Cancel/Replace" and "Route" reports for remaining shares outstanding from original OATS reports. (**FINRA Case #2010021591101**)

**Lime Brokerage LLC (CRD #104369, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $50,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of filing that it failed to timely report ROEs to OATS; transmitted Route or Combined Order/Route Reports to OATS that OATS was unable to link to the related order routed to NASDAQ due to inaccurate, incomplete or improperly formatted data; transmitted Route or Combined Order/Route Reports to OATS that OATS was unable to link to the identified receiving firm's related new order report due to inaccurate, incomplete or improperly formatted data; and transmitted Route or Combined Order/Route Reports to OATS that other member firms submitted where the firm was named as the "Sent To" firm that OATS was unable to match to a related new order report the firm submitted. The findings stated that the firm transmitted reports to OATS that failed to include the market participant identifier (MPID) of the FINRA member that transmitted the order to the firm. (**FINRA Case #2008014870401**)

**Merrill Lynch, Pierce, Fenner & Smith Incorporated (CRD #7691, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $12,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report to TRACE transactions in TRACE-eligible securities that it was required to report, and failed to report to TRACE the correct contra-party's identifier for transactions in TRACE-eligible securities. (**FINRA Case #2008016382201**)

**M.L. Stern & Co., LLC (CRD #8327, Beverly Hills, California)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $38,000 and required to pay $19,655.36, plus interest, in restitution to investors. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it purchased municipal securities for its own account from a customer and/or sold municipal securities for its own account to a customer at an aggregate price (including any markdown

or markup) that was not fair and reasonable, taking into consideration all relevant factors, including the best judgment of the broker, dealer or municipal securities dealer as to the fair market value of the securities at the time of the transaction and of any securities exchanged or traded in connection with the transaction; the expense involved in effecting the transaction; the fact that the broker, dealer, or municipal securities dealer is entitled to a profit; and the total dollar amount of the transaction. (**FINRA Case #2008016023901**)

**Morgan Stanley & Co. LLC (CRD #8209, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $600,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it did not have a firm-wide structured product-specific suitability policy. The findings stated that, instead, it had an overall suitability guideline that directed supervisors to consider concentration when reviewing all securities purchases. The firm issued selling memoranda specific to each of its proprietary structured product offerings; some of the selling memoranda included a 10 percent concentration guideline with respect to the specific issue and a $100,000 minimum net worth recommendation. The findings also stated that the firm developed standard concentration and net worth guidelines, which were posted on its structured products website. Despite the concentration and net worth guidelines, the firm sold structured products at concentrated levels and to customers who did not meet the firm's minimum net worth recommendation. The findings also included that the firm failed to create reasonable systems or procedures to notify supervisors whether structured product purchases complied with the firm's internal guidelines. The firm placed the responsibility with branch supervisors to ensure, among other things, that structured product purchase recommendations financial advisors made were suitable.

FINRA found that the firm did not have reports or tools for sales supervisors or compliance personnel that were specific to structured products, or which highlighted and detected single concentrated structured product purchases. Supervisors used a daily transaction report that listed all transactions by, *inter alia*, security name effected by the branch office on the prior trading day, which supervisors were instructed to review and approve on a daily basis. While that report included structured product purchases, it did not identify them as such. FINRA also found that FINRA staff reviewed a sample of daily transaction reports for structured product purchases that did not meet the firm's concentration guidelines and/or minimum net worth recommendation. Most of these reports did not reflect evidence that supervisory action was taken in connection with the specific non-conforming purchases. The firm's supervisory deficiencies were not limited to any particular branch or region. In addition, FINRA determined that the staff's review of a sample of structured product purchases revealed unsuitable recommendations for customers. In addition to exceeding the firm's concentration guidelines, the identified transactions were inconsistent with the customers' financial situation and investment objectives. The firm previously entered into settlements with these customers based on their purchases of structured products; as a result of those settlements, the firm paid customers approximately $329,000. (**FINRA Case #2008015963801**)

**NexBank Securities Inc. (CRD #133267, Dallas, Texas)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $10,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it conducted a securities business while failing to maintain its required minimum net capital. The findings stated that the firm's net capital deficit resulted from its misclassification of funds that it had on deposit with an affiliated bank as allowable assets when, in fact, the funds should have been classified as non-allowable assets. The firm returned to net capital compliance when it transferred funds from the affiliated bank to an account at an unaffiliated bank. The findings also stated that in connection with the net capital deficiencies, the firm's net capital computations and FOCUS filings for the period were materially inaccurate. The findings also included that the firm failed to provide notification of its net capital deficiencies to the SEC and FINRA. (**FINRA Case #2010020848501**)

**Petersen Investments, Inc. (CRD #38537, Wall, New Jersey)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $15,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to establish and maintain a supervisory system and written procedures reasonably designed to ensure its registered representatives' compliance with applicable securities laws, regulations and FINRA's rules. The findings stated that the firm's systems and written procedures for about five years were not reasonably designed to detect and monitor for unsuitable recommendations, trading in low-priced securities, churning and concentrations in one security; the procedures in place at the time stated that a Series 24 Supervisor would conduct, on a daily basis, a review of all trades, taking into consideration, among other things, whether any trades involved unsuitable recommendations, trading in low-priced securities, churning and concentrations in a security, but the supervisory procedures did not provide guidance or in any way describe how the reviewer should perform such reviews, what kinds of detected activity might warrant further investigation, how to further investigate such activity and how supervisors were to document such reviews. The findings also stated that the supervisory structure outlined what the reviewer should look for but did not provide tools or systems to assist the reviewer in identifying and addressing problems. The findings also included that the procedures required a designated Series 24 Supervisor to review, on a monthly basis, commission reports for all accounts and consider, among other things, churning, suitability and accounts dealing primarily in speculative securities. FINRA found that as with the trade reviews, the procedures did not provide instruction on how specific reviews were to be conducted and documented, and what type of follow up should occur if problematic activity was detected. (**FINRA Case #2009020013201**)

**Radnor Research & Trading Company LLC (CRD #130120, Radnor, Pennsylvania)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $15,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to make and preserve required records

in connection with its involvement in private offerings of securities by issuers. The findings stated that the firm received roughly $430,000 in transaction-based compensation from an issuer in connection with sales of securities totaling about $8 million, but failed to reflect the transactions for which it received the compensation, or any information pertaining to them, in its books and records, and failed to obtain and/or preserve documents relating to its participation in the engagement including but not limited to offering materials, unit purchase agreements and accredited investor questionnaires. The findings also stated that the firm received roughly $184,500 in fees from another issuer in connection with sales of membership units totaling approximately $3.725 million. The firm failed to reflect the transactions for which it received the fees, or any information pertaining to them, in its books and records, and failed to obtain and/or preserve documents relating to the transactions including but not limited to offering materials and subscription documents. The findings also included that the firm failed to establish and maintain a supervisory system and establish, maintain and enforce WSPs reasonably designed to achieve compliance with all applicable recordkeeping rules and requirements in connection with its participation in private offerings of securities. (**FINRA Case #2010021077401**)

**RBC Capital Markets, LLC (CRD #31194, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $25,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that in Collateralized Mortgage Obligations (CMOs) transactions with mostly retail, non-institutional customers, it charged markups and markdowns that were as high as 16.9 percent. The findings stated that these charges exceeded the firm's own internal guidelines based on the type and maturity of each security. The firm's internal guidelines were intended to ensure that charges were fair, reasonable and compliant with NASD Rule 2440. According to the firm's procedures, charges exceeding the firm's guidelines had to be adjusted if not otherwise justified in writing on the firm's order records. The findings also stated that the firm's next-day surveillance reports flagged each of the transactions as outside of the firm's markup/markdown policy thresholds. The charges were not justified on the firm's order records, and accordingly, each transaction was identified for price adjustment but due to miscommunications between the firm's Fixed Income Trading Desk and trade support personnel responsible for making the price adjustments, firm personnel assumed that the markups and markdowns on the transactions were adjusted to comply with the firm's guidelines. The findings also included that the firm failed to verify that the trade corrections had actually been effected so it did not adjust any of the charges imposed on the firm's customers that were flagged as exceeding the firm's guidelines, which totaled $30,000, until after FINRA staff brought the matter to the firm's attention. FINRA found that the firm failed to establish, maintain and enforce a supervisory system and WSPs reasonably designed to ensure that the firm only charged customers markups and markdowns on CMO transactions that were fair, reasonable and compliant with NASD Rule 2440. (**FINRA Case #2009020904501**)

**Scottrade, Inc. (CRD #8206, St. Louis, Missouri)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $11,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report to TRACE transactions in TRACE-eligible securities that it was required to report, reported the incorrect contra-party for transactions and reported inaccurate information to TRACE for transactions. The findings stated that the firm failed to report to TRACE the correct information for transactions in TRACE-eligible corporate bonds, in that it inaccurately reported the stated commission, execution date, price, volume, contra-party, or buy/sell indicator to TRACE; and over-reported some transactions to TRACE. (**FINRA Case #2010024119601**)

**SG Americas Securities, LLC (CRD #128351, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $25,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it incorrectly reported to TRACE some transactions as customer transactions instead of inter-dealer transactions. The findings stated that the firm reported incorrect execution times in TRACE-eligible securities transactions to TRACE. The findings also stated that in TRACE-eligible securities transactions, the firm failed to show the times of receipt, entry and execution on order memoranda for brokerage transactions, and to show the correct execution time on order memoranda for additional brokerage transactions. (**FINRA Case #2010020993901**)

**Spartan Securities Group, LTD (CRD #104478, Clearwater, Florida)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $52,500 and required to revise its WSPs regarding its supervisory system, procedures and qualifications; order handling; best execution; anti-intimidation/coordination; trade reporting; short sale transactions; other trading rules; OATS; books and records; the Sub-Penny Rule; and review for compliance of incoming, outgoing and internal electronic communications. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it executed short sale transactions in reportable securities and failed to report each of the transactions to the FNTRF with the correct symbol indicating whether the transaction was a short sale or a short sale exempt transaction and reported some short sales as long to the FNTRF. The findings stated that the firm failed to report to the FNTRF the correct symbol indicating the capacity in which it executed transactions in reportable securities; incorrectly reported transactions to the FNTRF, failed to report a transaction to the FNTRF, reported transactions which it was not required to report to the FNTRF, incorrectly reported reports to the FNTRF, and failed to submit a cancellation for two reports to the FNTRF. The findings also stated that the firm transmitted reports to OATS that contained inaccurate, incomplete, or improperly formatted data. The findings also included that the firm, on numerous occasions, accepted a short sale order in an equity security from another person, or effected a short sale in an equity security for its own account, without borrowing the security, or entering into a *bona fide* arrangement to borrow the security; or having reasonable grounds to believe that the security could

be borrowed so that it could be delivered on the date delivery is due; and documenting compliance with SEC Rule 203(b)(1) of Regulation SHO. FINRA found that the firm failed to disclose the reported price, the markup/markdown or the correct markup/markdown, and/or the market maker status on customer confirmations. FINRA also found that the firm failed to provide an order memorandum or a proprietary ledger, failed to provide a customer account statement, failed to provide a complete customer order memorandum, and in other instances failed to document the correct time of entry, time of execution, execution price, and/or terms and conditions on the customer order memorandum. In addition, FINRA determined that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and/or FINRA rules addressing supervisory system, procedures and qualifications; order handling; anti-intimidation/coordination; trade reporting; short sale transactions; other trading rules; OATS; books and records; the Sub-Penny Rule; and review for compliance of incoming, outgoing and internal electronic communications. Moreover, FINRA found that the firm failed to provide documentary evidence during one month that it performed the supervisory reviews set forth in its WSPs concerning supervisory system, procedures and qualifications; order handling; best execution; anti-intimidation/coordination; trade reporting; other trading rules; OATS; and review for compliance of incoming, outgoing, and internal electronic communications. (**FINRA Case #2009017008302**)

**Stone & Youngberg LLC (CRD #795, San Francisco, California)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $15,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it created an informational brochure about reverse-convertible notes (RECONs) that it published on its website and distributed in physical form to customers who expressed an interest in purchasing RECONs. The findings stated that several statements in the brochure did not adhere to the content standards of NASD Rule 2210(d). The brochure contained a partial list of what the firm called recent RECONs with one-year maturities in which the firm participated; the list was never updated after the initial creation of the brochure, so the use of the word "recent" rendered the statement false for most of the time period during which the brochure was used. The list of RECONs consisted of some companies' names followed by a percentage, but did not explain the meaning of these names and percentages, so it failed to provide a sound basis for evaluating the facts pertaining to those RECONs. The brochure referenced credit ratings of RECON issuers without an explanation of what those ratings meant in the context of RECONs, and therefore it constituted an omission of material facts that rendered the statement misleading. The brochure stated that upon maturity, investors in RECONs would receive either cash in the amount of the original investment or a fixed number of common shares (reference shares), in addition to the fixed coupon paid either quarterly or monthly. This statement omitted material facts rendering the statement misleading, in that it failed to account for early call provisions contained in some RECONs. The brochure described

some scenarios purporting to illustrate returns on a $10,000 investment in a hypothetical RECON that were not fair and balanced, insofar as they implied that potential losses on a RECON investment would be minimal when, in fact, the hypothetical investor's loss could have been as much as $9,000, depending on the value of the reference shares at maturity. The findings also included that in light of the foregoing, the firm's brochure was not fair and balanced, did not provide a sound basis for evaluating the facts pertaining to RECONs, omitted material facts that caused the communication to be misleading and included a statement that was false for most of the time period during which the brochure was used. (**FINRA Case #2009019128001**)

**Synergy Investment Group, LLC (CRD #46035, Charlotte, North Carolina)** submitted an Offer of Settlement in which the firm was censured and fined $20,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to follow its WSPs which required it, upon receiving notice of a registered representative's planned participation in private securities transactions, to approve or disapprove the transactions in writing, and if it approved the transactions, to record them on its books and records and supervise the registered person's participation in the transaction as if it were a firm transaction. The findings stated that the firm did not follow its procedures or NASD Rule 3040 requirements, so it did not record the transactions on its books and records and failed to supervise the representative's participation in the securities transactions executed through other broker-dealers. The findings also stated that the firm failed to establish, maintain and enforce a supervisory system reasonably designed to provide an understanding of the nature of the services its registered representatives, who were also registered as investment advisors (RR/IAs), provided, the scope of each RR/IA's authority, and the suitability of the transactions in which the RR/IA participated; the firm did not have WSPs to specifically address supervision of outside RR/IAs. The findings also included that although the firm received an inquiry regarding non-disclosure agreements in connection with private placements from a branch office, it ignored the red flag that the branch might be engaging in private securities transactions and did not take any steps to follow up or increase its scrutiny of the branch.

FINRA found that if the firm had reviewed branch emails as its procedures required, it would have found that most of the emails for a calendar quarter dealt with unapproved private placements; and if it had reviewed the branch's checks/securities received blotter, as procedures required, it would have seen entries for branch receipts of physical certificates for unapproved private placements. FINRA also found that a branch exam failed to detect the significant email activity regarding private placements and the receipt of stock certificates in connection with the private placements. In addition, FINRA determined that the firm failed to timely disclose the material facts of written customer complaints, arbitrations and state regulatory investigations on registered representatives' Forms U4. (**FINRA Case #2009016222301**)

**Timber Hill LLC (CRD #33319, Greenwich, Connecticut)** submitted a Letter of Acceptance, Waiver and consent in which the firm was censured and fined $15,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it executed short proprietary sale orders in equity securities and failed to properly mark the orders as short, and executed some long proprietary sale orders in equity securities and improperly marked the orders as short. The findings stated that the firm accepted short sale orders in an equity security from another person, or effected a short sale in an equity security for its own account, without borrowing the security, or entering into a *bona fide* arrangement to borrow the security, or having reasonable grounds to believe that the security could be borrowed so that it could be delivered on the date delivery is due, and documenting compliance with SEC Rule 203(b)(1) of Regulation SHO. The findings also stated that the firm had a fail-to-deliver position at a registered clearing agency in a threshold security for 13 consecutive settlement days and failed to immediately thereafter close out the fail-to-deliver position by purchasing securities of like kind and quantity. The findings also included that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with Rule 203(a) of Regulation SHO, in that the firm did not have WSPs in place related to Rules 200(a) and 203(a) of Regulation SHO. The written supervisory system also did not provide for supervision reasonably designed to achieve compliance with Rule 203(b)(1), in that the firm's supervisory system did not provide a means to determine that there were sufficient shares available for borrowing for the equity securities identified on its easy-to-borrow lists. The firm's written supervisory system was not reasonably designed to achieve compliance with Rule 203(b)(3) of Regulation SHO, in that the firm's supervisory system did not include WSPs providing for review of the steps taken by the firm's trading personnel in closing out its fail-to-deliver positions, and the firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its WSPs concerning Rule 200(g) of Regulation SHO. (**FINRA Case #2005003200701**)

**UVEST Financial Services Group, Inc. (CRD #13787, Charlotte, North Carolina)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $25,000. In addition, the firm has reviewed its supervisory system and procedures for mutual fund sales charge waivers based on a customer's status as an advisory client for compliance with FINRA rules and the federal securities laws and regulations, and certifies that it currently has in place a system and procedures reasonably designed to achieve compliance with those rules, laws and regulations. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to establish and maintain a supervisory system and to establish, maintain and enforce WSPs reasonably designed to achieve compliance relating to waivers of mutual fund sales charges. The findings stated that as a result, firm registered representatives improperly sought sales charge waivers in connection with mutual fund transactions totaling approximately $1,876,082. Those representatives placed the mutual fund trades involving Class A shares for customers at Net Asset Value (NAV), despite the fact that

the purchases did not qualify for that pricing. The findings also stated that when the representatives entered the trades electronically, they improperly indicated that the mutual fund purchases were occurring in advisory accounts, which would qualify the customers to purchase the shares without paying the initial sales charge as outlined in the prospectus for each fund. The purchases at issue were in non-advisory accounts at the firm. The findings also included that the improper sales charge waivers firm representatives entered caused the firm's books and records to contain false information regarding the customers' entitlement to such waivers. FINRA found that the firm failed to provide for effective follow-up and review or otherwise monitor mutual fund transactions to ensure that sales charges waivers were granted in appropriate circumstances. (**FINRA Case #2009020335501**)

**Vandham Securities Corp. (CRD #26258, Woodcliff Lake, New Jersey)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $70,000 and ordered to pay a total combined amount of $2,346.46, plus interest, in restitution to investors. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to execute orders fully and promptly. The findings stated that in transactions for or with a customer, the firm failed to use reasonable diligence to ascertain the best inter-dealer market and buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions. The findings also stated that the firm accepted and held customer market orders, traded for its own account at prices that would have satisfied the customer market orders, and failed to immediately thereafter execute the customer market orders up to the size and at the same price at which it traded for its own account at a better price. The findings also included that the firm failed to report to TRACE transactions in TRACE-eligible securities it was required to report, failed to report to TRACE the correct contra-party's identifier for transactions in TRACE-eligible securities and failed to report the correct trade execution time for transactions in TRACE-eligible securities.

FINRA found that the firm made available reports on the covered orders in national market system securities it received for execution from any person, which included incorrect information. FINRA also found that the firm transmitted reports to OATS that contained inaccurate timestamps, omitted account type codes or included inaccurate ones, and omitted routed order IDs. In addition, FINRA determined that the firm failed to contemporaneously or partially execute customer limit orders in NASDAQ securities after it traded each subject security for its own market-making account at a price that would have satisfied each customer's limit order. Moreover, FINRA found that the firm incorrectly reported the second leg of riskless principal transactions as agent to the FNTRF, and incorrectly reported principal transactions as agent to the OTC Reporting Facility. (**FINRA Case #2007010807401**)

**Woodbury Financial Services, Inc. (CRD #421, Oakdale, Minnesota)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $45,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to establish, maintain and enforce an adequate system to review equity trades for excessive trading. The findings stated that the firm's WSPs required equity trades to be reviewed for appropriateness of commissions, excessive trading and suitability where trades were solicited. The findings also stated that the firm primarily relied upon its trade desk to identify excessive trading by reviewing the firm's daily trade commission report. The trade report did not include the number of shares purchased or sold, the total cost of the transaction, the account name, or account holder's age, investment experience or risk tolerance. The firm did not utilize any exception reports or systems that delineated the average holding periods, commission-versus-equity ratio or the turnover ratio in customer accounts. As a result, the firm failed to establish and maintain an adequate system of follow-up and review for it to determine whether its registered representatives were engaged in excessive and therefore unsuitable equity trades.

The findings also included that the firm identified unusual trading activity in a customer's account; the firm reviewed the activity and forwarded the matter to its compliance department. The trade desk manager also reviewed the trade activity in other accounts assigned to the representative and found similar trading activity in additional customer accounts. These matters were also referred to the firm's compliance department. FINRA found that the firm conducted a review of a customer's account and identified unusual trading activity. After speaking with the customer, the firm determined that the representative had engaged in discretionary trading without written authorization, which was in violation of the firm's policies and procedures. The firm terminated the representative's registration for failing to cooperate with the firm's investigation. Although the firm identified unusual trading activity in other accounts, the firm did not investigate further or immediately contact these customers. FINRA also found that over a year after the firm initially contacted the one customer, and after FINRA sent the firm a Rule 8210 request, the firm reviewed another customer's account activity and preliminarily concluded that the representative excessively traded the customer's account based on a turnover calculation. (**FINRA Case #2009018045802**)

**World Equity Group, Inc. (CRD #29087, Arlington Heights, Illinois)** submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $15,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to transmit all of its ROEs to OATS for more than a year. The findings stated that the firm did not qualify for exclusion from the OATS reporting requirements because it routed its orders through more than a single reporting member. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA rules concerning OATS reporting. (**FINRA Case #2010024306501**)

## Individuals Barred or Suspended

**James Sloan Altschul (CRD #2854032, Registered Principal, New York, New, York)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined $10,000, suspended from association with any FINRA member in any capacity that requires a Series 24 license for three months, and shall undertake to cooperate with FINRA in its continuing investigation of the matter. The fine must be paid either immediately upon Altscul's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Altschul consented to the described sanctions and to the entry of findings that he was the CCO and the AML Compliance Officer (AMLCO) at his member firm's branch office. The findings stated that Altschul learned that a foreign-based publicly traded company had intended to pay entities controlled by the operators of the firm's branch office—who were in the process of becoming owners of the firm—$350,000 for certain unspecified services. Registered representatives at the branch office, working under the direction of some of the operators of the branch office, solicited the purchase of approximately $674,184 in the company's securities from the firm's customers without disclosing to customers that branch operators had received $350,000 in compensation from the company. The findings also stated that Altschul knew that the registered representatives in the branch office were actively soliciting customers to purchase the company's stock and did not take any action to reasonably ensure that the firm's brokers disclosed all material information regarding the $350,000 payment from the company when they solicited customers to purchase the securities. The findings also included that Altschul approved the opening of accounts for some customers of another foreign-based publicly traded company when he never spoke to these customers or attempted to confirm the accuracy of the information about the accounts before approving the accounts to be opened; no one from the firm ever had any direct contact with any of the customers during the time their accounts were open at the firm.

FINRA found that the customers deposited collectively more than 3.8 million shares of the company and while Altschul was registered with his firm, these customers collectively sold over $23 million of the company's stock, on instructions the firm received from the company's CEO. The company's stock transactions were the only transactions in these customers' accounts and generated over $1.1 million in commissions for Altschul's firm, amounting to approximately 75 percent of all commissions it earned while he was registered with the firm. FINRA also found that despite multiple red flags that should have alerted Altschul to take action, he failed to adequately monitor, analyze and investigate the suspicious transactions to determine if it was appropriate to file a Suspicious Activity Report (SAR-SF) form.

The suspension is in effect from February 6, 2012, through May 5, 2012. (**FINRA Case #2009019108904**)

**Robert Mark Benning (CRD #2002792, Registered Representative, Streator, Illinois)** submitted an Offer of Settlement in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, Benning consented to the described sanction and to the entry of findings that he sold investment contracts called Universal Lease Programs (ULPs), and failed to provide written notice to his member firm and failed to receive the firm's written approval; Benning received at least $38,460 in compensation from his sales of ULPs. The findings stated that Benning failed to disclose his sale of ULPs to FINRA when he was questioned about his outside business activities, private securities transactions and compensation earned for three years. Benning later admitted that he earned income from ULPs sales. The findings also stated that Benning failed to fully and accurately respond to FINRA requests for information. (**FINRA Case #2009016709020**)

**Francis Xavier Bice (CRD #3016365, Registered Representative, Manhasset, New York)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined $10,000 and suspended from association with any FINRA member in any capacity for two years. The fine must be paid either immediately upon Bice's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Bice consented to the described sanctions and to the entry of findings that he solicited customers for orders to buy or sell securities for which his firm did not have a research opinion. The findings stated that Bice was aware that the firm prohibited its registered representatives from soliciting transactions in securities for which the firm's research department did not have a research opinion without prior supervisory approval. Rather than obtaining the necessary supervisory approval prior to soliciting the transactions, Bice mismarked orders for these transactions as unsolicited orders when, in fact, they were solicited. The findings also stated that by mismarking the orders and by falsifying records his firm maintained, Bice engaged in conduct that was inconsistent with his obligations by causing his firm's books and records to be inaccurate. The findings also included that Bice serviced numerous customers whose account balances with the firm averaged less than $25,000 on a quarterly basis. Bice understood that his firm would impose a low balance fee on such customers, and that the firm would not pay him commissions on trades he executed for customers whose aggregate household account relationship with the firm averaged less than $100,000 quarterly. To avoid the firm's minimum balance requirement, Bice encoded certain unrelated customers' accounts in the firm's books and records in such a way that the smaller accounts would appear on the firm's internal-use-only records as part of a household that had an aggregate account relationship with the firm valued at $100,000 or more each quarter. By intentionally miscoding certain unrelated customer accounts in order to make them appear to be part of a single household relationship on the firm's internal books and records, Bice thereby caused his firm's books and records to be inaccurate. FINRA found that Bice effected numerous transactions in several customers' accounts on a discretionary basis. These customer accounts were not designated as discretionary accounts and none of the customers had provided Bice or the firm with written authorization to exercise discretion in their accounts.

The suspension is in effect from January 17, 2012, through January 16, 2014. (**FINRA Case #2009021082301**)

**Tammy Lyn Bohnert (CRD #2671147, Registered Representative, Frohna, Missouri)** was barred from association with any FINRA member in any capacity. The sanction was based on findings that Bohnert failed to respond to FINRA requests for information. The findings stated that Bohnert fabricated an annuity/settlement option withdrawal service request form to withdraw $3,000 from a customer's fixed deferred annuity. The findings also stated that Bohnert fabricated the form by attaching the signature page from another form that the customer had signed for a different transaction, and then altering the date next to her signature to make it appear that she had signed the form on the later date. Bohnert then submitted the fabricated form to her member firm for processing. (**FINRA Case #2010022579802**)

**Beccah Leigh Boman (CRD #1413701, Registered Supervisor, North Oaks, Minnesota)** submitted a Letter of Acceptance, Waiver and Consent in which she was fined $5,000, suspended from association with any FINRA member in any capacity for four months and ordered to pay $64,792, plus interest, in restitution to investors. Without admitting or denying the findings, Boman consented to the described sanctions and to the entry of findings that she engaged in private securities transactions by recommending that her member firm's customer and some other individuals invest in an investment company she had formed. The findings stated that Boman described the investment company, which was not a firm-approved investment, as a securities investment company that she and those who would invest in it owned. Boman told these individuals that if they invested in the company for three years, they would receive the greater of a 5 percent return per year or the return on the shareholder's equity. The findings also stated that Boman issued investment contracts to the investors and, based on Boman's recommendation, they invested $114,792 in the company. The investment contracts were converted into promissory notes that had the same obligations and terms as the original investment contracts. The findings also included that the investment contracts Boman issued to the investors obligated her to pay interest on their principal and repay them within three years or renew their contracts. After a certain date, Boman did not make any further interest payments on the principal the investors in the company had. The total principal the investors invested was lost. FINRA found that Boman did not give notice to, and receive approval from, the firm before recommending the investments or participating in these private securities transactions outside the regular scope of her employment with the firm. At the time Boman accepted the investors' funds and issued the investment contracts, she knew that her firm prohibited its registered representatives from engaging in private securities transactions without prior firm approval. FINRA also found that Boman incorrectly answered "no" on the firm's annual compliance questionnaire regarding if she had engaged in any personal private securities transactions the firm's compliance department had not previously approved.

The suspension is in effect from January 17, 2012, through May 16, 2012. (**FINRA Case #2009018794001**)

**Philip Mark Cain (CRD #2703720, Registered Representative, Corona de Tucson, Arizona)** was barred from association with any FINRA member in any capacity. FINRA did not order restitution because Cain's member firm repaid his customers in full. The sanction was based on findings that Cain converted customer funds and engaged in fraudulent sales practices, including making material misrepresentations, in connection with the purchase or sale of securities and creating false account statements to deceive customers. The findings stated that Cain recommended to his customers that they invest in what he falsely represented as structured notes issued by a bank, telling the customers that the notes could not be purchased directly through their firm accounts. The customers withdrew funds totaling approximately $1.3 million from their firm accounts and either wrote checks or wired the funds to Cain's registered business, a name closely resembling the name of his firm, for Cain to purchase the bank notes on their behalf; instead of doing so, Cain converted the funds to his own use. The findings also stated that Cain fabricated quarterly account statements that appeared to be from the bank for each customer. On the fraudulent statements Cain imprinted the statements with "bank member NYSE, NASD, SIPC," and showed what appeared to be interest accrued on the notes. The findings also included that Cain failed to respond to FINRA requests for information. (**FINRA Case #2011027099701**)

**Mark Jason Carpenter (CRD #4506491, Registered Representative, Ann Arbor, Michigan)** was barred from association with any FINRA member in any capacity. The sanction was based on findings that Carpenter failed to respond to FINRA requests for information and to provide on-the-record testimony. The findings stated that Carpenter engaged in private securities transactions by recommending and selling securities to customers without notifying his member firm in advance. Carpenter sold the securities through a registered investment adviser that engaged in fee-based asset management and financial planning. Carpenter was the president of the investment adviser. The findings also stated that the investments, in the form of promissory notes called oil bond trading notes, had maturity dates of less than nine months; however, Carpenter convinced the customers to renew the investments repeatedly for aggregate periods exceeding nine months. Carpenter also sold a customer investments in a condominium and hotel development in which he convinced her to re-invest her principal and interest in successive condo notes. The customers lost their entire investments. The findings also included that Carpenter failed to disclose his outside business activities to his firm; Carpenter failed to disclose that he had formed, and was the president of, a registered investment adviser. (**FINRA Case #2009019964301**)

**Timothy Charles Cerny (CRD #2233044, Registered Representative, Racine, Wisconsin)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined $20,000 and suspended from association with any FINRA member in any capacity for 10 business days. Without admitting or denying the findings, Cerny consented to the described sanctions and to the entry of findings that while registered with his member firm, he made unsuitable recommendations to customers to purchase unit investment trusts (UITs). The findings stated that Cerny did not have reasonable grounds to believe that the recommendations

were suitable for these customers given their limited investment experience, risk tolerance, the fact that it constituted almost all of a customer's net worth, and the concentration level of the recommendation for one customer. The findings also stated that the customers' investment in UITs matured or were sold at a loss. The findings also included that Cerny's firm compensated the customers in the total amount of $42,096.90 as restitution for the losses.

The suspension was in effect from February 21, 2012, through March 5, 2012. (**FINRA Case #2008015078604**)

**Jason William Chicosky (CRD #4643473, Registered Representative, Huntsville, Alabama)** submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Chicosky consented to the described sanction and to the entry of findings that while registered with two different FINRA member firms, he borrowed a total of $60,000 from customers of his firms in separate transactions. The findings stated that Chicosky did not provide notice to, or receive permission from, either of the firms to borrow from customers, in violation of each firm's policies and procedures. The findings also stated that in response to a request for information, Chicosky provided false and misleading information to FINRA. Notwithstanding the fact that at the time of the request, Chicosky had $40,000 in outstanding loans from a non-relative firm customer, he failed to disclose the non-relative customer loans in his response to FINRA. Instead, Chicosky only disclosed loans from family members, who were also firm customers. (**FINRA Case #2011027065501**)

**Christopher Todd Conrad (CRD #3237118, Registered Representative, Norman, Oklahoma)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined $10,000 and suspended from association with any FINRA member in any capacity for three months. The fine must be paid either immediately upon Conrad's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Conrad consented to the described sanctions and to the entry of findings that he recommended an entity's note agreements to customers without his member firm's permission and without the proper license, a Series 7 license, to sell these securities. The findings stated that Conrad received $12,653.77 in referral fees. The findings also stated that these customers purchased the entity's products solely based upon Conrad's recommendation. Conrad represented that the products were safe, guaranteed a high return within five years, and were suitable for investors seeking to preserve capital, but he lacked any factual basis to make these claims because he did not have any experience with the entity's products and failed to conduct the required due diligence, but recommended the entity's note agreements as a safe and suitable investment. The findings also included that Conrad distributed false and misleading sales literature, which contained unwarranted and misleading statements, failed to disclose any risks involved in the investments, and guaranteed the products would succeed. Such statements helped form the basis of Conrad's recommendations to his customers, even though he did not verify these claims prior to recommending and selling the note agreements to his customers.

The suspension is in effect from January 17, 2012, through April 16, 2012. (**FINRA Case #2010023612303**)

**Felix Elbert Deacon III (CRD #2408954, Registered Representative, Richmond, Virginia)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined $10,000 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid either immediately upon Deacon's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Deacon consented to the described sanctions and to the entry of findings that he borrowed a total of $221,000 from customers at his member firm without seeking or obtaining the firm's written approval. The findings stated that the firm's procedures generally prohibited representatives from taking loans from their customers, except under extremely rare and extenuating circumstances, which were not present in this matter. The procedures stated that any exceptions had to be reviewed and approved in writing by the representative's branch manager or other supervisor, and then by its compliance department. The findings also stated that Deacon made some payments on the loans but the customers ultimately filed lawsuits to recover the remaining principals, which have since been repaid. The findings also included that for three years, Deacon completed compliance questionnaires in which he was asked if he had taken loans from customers. On each questionnaire, Deacon falsely answered that he had not taken such loans. FINRA found that Deacon failed to amend his Form U4 to disclose material facts.

The suspension is in effect from February 6, 2012, through August 5, 2012. (**FINRA Case #2010021549901**)

**Robert DelBuono III (CRD #5938826, Associated Person, Trumbull, Connecticut)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for 30 days. The fine must be paid either immediately upon DelBuono's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, DelBuono consented to the described sanctions and to the entry of findings that he failed to disclose material information on his Form U4.

The suspension was in effect from January 17, 2012, to February 15, 2012. (**FINRA Case #2011028399001**)

**Jun "Jennifer" Feng (CRD #4697641, Registered Representative, Saratoga, California)** submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Feng consented to the described sanction and to the entry of findings that she failed to respond to FINRA requests for documents and information. The findings stated that Feng sent FINRA an email regarding the request letter that only addressed one of the

18 questions posed to her in the letter, so FINRA deemed the email to be non-responsive. The findings also stated that FINRA contacted Feng informing her of the consequences if she failed to respond fully, completely and truthfully to the request letter. Feng sent FINRA another email in which she stated that she had elected to not respond. (**FINRA Case #2010025510501**)

**Harry Friedman (CRD #2548017, Registered Principal, Woodmere, New York)** submitted an Offer of Settlement in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, Friedman consented to the described sanction and to the entry of findings that he failed to adequately supervise certain employees of his member firm who engaged in a fraudulent trading scheme through which improper markups were concealed and customers were denied best execution. The findings stated that the firm's customers did not receive the most favorable market price because Friedman failed to reasonably supervise and detect occurrences in which the registered representative interjected the firm's proprietary account between the customer and the market. The findings also stated that according to the firm's WSPs, Friedman was responsible for ensuring that the head trader accurately disclosed on the order tickets the time that the customer orders were received and executed, the capacity in which the broker-dealer acted and the amount of compensation the broker-dealer received from the transaction. In furtherance of the fraudulent trading scheme, the registered representative entered false information on the order tickets for customer transactions regarding the share price and the time the customer order tickets were received, entered and executed, and did not accurately reflect the markup and/or commission charged or the order capacity. Friedman knew or was reckless in not knowing that the order tickets were mismarked. The findings also included that the firm designated Friedman as the person who was to ensure that the head trader properly marked order tickets. The order tickets were inaccurate in that they did not reflect that the firm had paid itself a markup or include the proper commission, and contained inaccurate information related to the share price, the time the customer order tickets were received, entered and executed, and order capacity.

FINRA found that according to the firm's WSPs, Friedman was responsible for the review and supervision of trading activity at the firm, but he failed to enforce the WSPs to supervise the activities of each registered person that were reasonably designed to achieve compliance with the applicable rules and regulations with respect to trading activity of all registered representatives of the firm's Offices of Supervisory Jurisdiction (OSJs). FINRA also found that Friedman failed to enforce the WSPs and, according to Friedman, his only form of supervisory review was to examine the previous day's trade blotter. Friedman failed to perform the required reconciliation of daily positions and trades in the firm's principal accounts. In addition, FINRA determined that per the firm's WSPs, Friedman was responsible for establishing, maintaining and enforcing a supervisory control system for the firm. The firm, acting through Friedman, failed to establish, maintain and enforce a system of supervisory control policies and procedures that tested and verified that its

supervisory procedures were reasonably designed with respect to the activities of the firm and its registered representatives and associated persons to achieve compliance with applicable securities laws and regulations, and created additional or amended supervisory procedures where the need was identified by such testing and verification. Among other things, Friedman and another designated principal failed to submit to the firm's senior management any report for three years that detailed its system of supervisory controls, the summary of the test results and significant indentified exceptions, and any additional or amended supervisory procedures created in response to the test results. Moreover, FINRA found that the firm, acting through Friedman, failed to conduct a test of its supervisory procedures for a year. Although the firm conducted some limited testing in other years, that testing was deficient in that the firm failed to evaluate several aspects of its written compliance policies and WSPs, including review and supervision of the customer account activity conducted by the firm's branch office managers, review and monitoring of customer changes of address and the validation of such changes, and review and monitoring of customer changes of investment objectives and the validation of such changes. Furthermore, FINRA found that Friedman failed to enforce the written supervisory control policies and procedures the firm had with respect to these areas. Friedman also failed to establish written supervisory control policies and procedures reasonably designed to provide heightened supervision over the activities of each producing manager who was responsible for generating 20 percent or more of the revenue of the business units supervised by that producing manager's supervisor. As a result, the firm did not determine whether it had any such producing managers and, to the extent that it did, subject those managers to heightened supervision. The findings also stated that for three years, Friedman falsely certified that the firm had the requisite processes in place and that those processes were evidenced in a report reviewed by its CEO, CCO and other officers. (**FINRA Case #2009016405904**)

**Maureen Hanley Gearty (CRD #1025030, Registered Representative, Middle Village, New York)** submitted a Letter of Acceptance, Waiver and Consent in which she was suspended from association with any FINRA member in any capacity for 30 days and shall cooperate with FINRA in its continuing investigation of a matter. In light of Gearty's financial status, no monetary sanction has been imposed. Without admitting or denying the findings, Gearty consented to the described sanctions and to the entry of findings that she signed an agreement with her member firm and other persons registered with the firm in which the parties arranged to have the firm directly pay her $350,000 for commissions and branch office expenses. The findings stated that according to the written agreement, Gearty and the other registered representatives who signed the agreement earned an unspecified amount in commissions. The agreement did not specify the amount of branch office expenses. The commissions were primarily earned from customers' sale of a large number of shares of a security; Gearty and the other persons who signed the agreement were the designated representative on the customer accounts and purportedly shared the commissions earned equally. The firm wired $350,000 to Gearty's bank account;

the firm's records reflect that $350,000 in commissions were paid solely to Gearty. The findings also stated that after receiving the $350,000, Gearty wired $100,000 each to the other representatives who had signed the agreement, as payment for commissions they had earned from customers' sales of a company's securities. The findings also included that Gearty wired at least $84,000 of the $350,000 commission payment to a person not registered with FINRA who was the spouse of a person associated with the firm who was not registered with the firm during the time the commissions were earned. FINRA found that Gearty retained no amount of the $350,000 as commissions for herself. FINRA also found that Gearty aided the firm in failing to make and keep books and records that accurately reflected the commissions and expenses it paid.

The suspension was in effect from February 6, 2012, through March 6, 2012. (**FINRA Case #2009019108903**)

**Jacobo Gomez-Gutierrez (CRD #5343100, Registered Representative, Santa Catarina, Mexico)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for one year. The fine must be paid either immediately upon Gomez' reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Gomez consented to the described sanctions and to the entry of findings that for more than a year, he falsified transaction instruction forms for customer accounts by changing dates, security names, share amounts and price information on forms that had previously been signed and used to process trades on customers' behalf, without his firm's knowledge or approval. The findings stated that the customer's signature on a previously executed form would remain unchanged but Gomez would falsify other information on the form to process the trade without obtaining another genuine signature from the customer. The findings also stated that on one occasion, Gomez signed a client's name to a term sheet for a transaction in a customer's account, without the firm's knowledge or approval; the firm's policies and procedures prohibited employees from falsifying documents in the manner described and Gomez was aware of the firm's prohibition. The findings also included that by falsifying the transaction instruction forms and by signing a customer's name to a term sheet without the firm's knowledge, Gomez caused his firm to maintain inaccurate business records in violation of FINRA Rule 2010 and NASD Rule 3110(a).

The suspension is in effect from February 6, 2012, through February 5, 2013. (**FINRA Case #2010022977201**)

**Michael Patrick Hanlon (CRD #5726358, Registered Representative, Pittsburgh, Pennsylvania)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for three months. The fine must be paid either immediately upon Hanlon's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application

or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Hanlon consented to the described sanctions and to the entry of findings that he was responsible for and submitted single car auto insurance policy applications to his member firm's insurance affiliate. The findings stated that Hanlon routinely falsified insurance applications to reduce the customers' premium payments and provide them with lower rates than they would have otherwise received. Among other things, Hanlon falsely represented that applicants were insuring company cars, falsely represented that applicants had homeowners policies when they did not and then provided them with multi-policy discounts, and short-rated applicants' projected mileage without any factual basis.

The suspension is in effect from February 6, 2012, through May 5, 2012. (**FINRA Case #2011028976601**)

**Marsha Ann Hill (CRD #4197899, Registered Principal, Halstead, Kansas)** submitted an Offer of Settlement in which she was fined $20,000 and suspended from association with any FINRA member in any capacity for one year. The fine must be paid either immediately upon Hill's reassociation with a FINRA member firm following her suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the allegations, Hill consented to the described sanctions and to the entry of findings that she made unsuitable recommendations to her customer to purchase a variable annuity in the amount of $110,418.97 and two private placement offerings in the amount of $10,000 each. The findings stated that the transactions were unsuitable because more than 90 percent of the customer's liquid net worth was placed in the variable annuity, which had a seven-year surrender period and was illiquid; the private placement offerings were highly risky, unsuitable for the customer and did not meet her investment objectives. The findings also stated that after the customer had contacted her to confirm the status of her investments, Hill informed the customer that she had failed to forward the checks and requested that the customer re-date and re-initial the checks that had previously been provided with a different date. The checks received and forwarded blotter Hill completed contained entries for the transactions for which the dates indicated on the blotter were not accurate. The findings also included that by holding the checks, Hill misused the customer's funds, in that she delayed the intended investments, caused her member firm to be in violation of SEC Rule 15c3-3, and caused the firm's books and records to be inaccurate.

FINRA found that Hill sold a private placement offering to another customer. The information provided on the customer's Account Information Form (AIF) indicated that she was not an accredited investor. After Hill sent the AIF to her OSJ manager, her supervisor noted that the financial information was not sufficient to invest in an accredited-only investment, and spoke to Hill about this fact. Hill then deleted certain information from the AIF using correction fluid and wrote in different annual income, net worth and liquid net worth information on the AIF without discussing the alterations with her customer or having her customer complete an updated form or re-execute the new AIF. Hill faxed the altered form to her supervisor.

The suspension is in effect from February 6, 2012, through February 5, 2013. (**FINRA Case #2009018026801**)

**Amrita Holden (CRD #1813997, Registered Principal, Anaheim Hills, California)** submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Holden consented to the described sanction and to the entry of findings that she wrongfully converted $187,000 from an elderly customer without permission or authority. The findings stated that on several occasions, Holden, through the use of Individual Retirement Account (IRA) distribution request forms, transferred funds from the customer's firm account to Holden's outside bank account. Neither the customer nor the individual, who was designated as the customer's power of attorney, gave Holden permission or authority to withdraw the customer's funds for her personal use. The findings also stated that Holden prepared IRA distribution request forms, and forged the customer's signature on one or more, to accomplish the transfers of funds. Holden ultimately used the customer's funds for her own personal benefit. The findings also included that Holden has reimbursed the customer for the funds she wrongfully converted. (**FINRA Case #2010022251701**)

**Ron William Howell (CRD #2895047, Registered Principal, Anaheim, California)** was fined a total of $12,500, suspended from association with any FINRA member in any capacity for three months, and suspended from association with any FINRA member in any principal capacity for three months. The suspensions are to run consecutively. FINRA did not seek disgorgement; Howell did not directly receive commissions because he was on a salary but he owned 96 percent of his member firm. The Hearing Panel considered the amount of the commissions paid to the firm as one factor in determining the appropriate fine and suspension. The findings stated that Howell made unregistered securities sales in violation of Section 5 of the Securities Act of 1933. Howell acted as the registered representative for the sale of a company's stock. The issuer filed a Form S-8 with the SEC in connection with the distribution of the shares to the employees and consultants. The recipients of the company options were conduits to the public market, raising capital for a company that needed funds to continue as a going concern. As a result, the Form S-8 registration was ineffective, and the re-sales into the public market were unregistered. Howell knew all of these facts. The findings also stated that Howell failed to supervise an individual under heightened supervision with respect to the individual's sale of unregistered securities. Howell became aware that the SEC was investigating the individual with respect to very similar transactions at another member firm. The SEC's Wells notice should have caused Howell to engage in a searching investigation of the transactions, yet he failed to do so. Howell did not regard the Wells notice as a red flag but permitted the individual to continue to sell stock after he received the Wells notice, essentially disregarding it because, he explained, the investigation might go away. The findings also included that as the firm's CCO, Howell failed to establish, maintain and enforce WSPs with respect to the firm's S-8 business. FINRA found that Howell failed to establish procedures to supervise his own activities as a producing branch manager because he did not believe that there was anyone at his firm who was qualified to supervise him, although the firm's membership agreement required the firm to have two principals.

The suspension in any capacity is in effect from January 16, 2012, through April 16, 2012. The suspension in any principal capacity will be in effect from April 17, 2012, through July 17, 2012. (**FINRA Case #2008013868501**)

**Erick Enrique Isaac (CRD #5691821, Registered Representative, Aventura, Florida)** submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Isaac consented to the described sanction and to the entry of findings that he became associated with a member firm at the behest of a former registered representative. The findings stated that the unregistered person, who also is Isaac's relative, needed access to a broker-dealer to place trades for his customers. While registered with the firm, Isaac relayed trading instructions from his relative to another representative at the firm, who entered the trades. Immediately after he became registered with the firm, Isaac began transferring hundreds of thousands of dollars of commissions on those securities transactions to his relative. The findings also stated that Isaac knew that his relative surreptitiously controlled the trading in at least some of the customer accounts that generated the commission payments. Even after Isaac learned that FINRA had barred his relative from association with a member firm, he continued to transfer commission monies to him. The findings also included that Isaac signed a fabricated consulting agreement with a company purportedly controlled by another relative to facilitate the transfer of $339,000 in commission money to his other relative; sent $155,000 of commission money to another relative, knowing that the former registered representative was the true beneficiary of that money transfer; gave thousands of dollars of commission money in cash to his relative; and acting on his relative's instructions, completed sets of trade reports-one designed for the firm that included commission markup and markdown information, and a second set for the customers that did not include that information. FINRA found that Isaac received at least $60,000 in compensation from his relative for these acts. (**FINRA Case #2010020869802**)

**Javier Rivera Jimenez (CRD #3015299, Registered Representative, Sherman Oaks, California)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined $14,432, which includes disgorgement of $6,932 of commissions received, and suspended from association with any FINRA member in any capacity for two months. The fine must be paid either immediately upon Jimenez' reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Jimenez consented to the described sanctions and to the entry of findings that he effected discretionary transactions in a customer's securities account without obtaining the customer's prior written authorization and without his member firm having accepted the account in writing as discretionary.

The suspension is in effect from February 6, 2012, through April 5, 2012. (**FINRA Case #2010022499301**)

**Jason Christopher Kerley (CRD #5208472, Registered Representative, Syracuse, New York)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined $15,000 and suspended from association with any FINRA member in any capacity for two years. The fine must be paid either immediately upon Kerley's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Kerley consented to the described sanctions and to the entry of findings that he knowingly submitted multiple false and misleading documents to support insurance applications. The findings stated that Kerley's member firm required that insurance applicants maintain a valid state-issued operator's driver's license in order to be eligible to purchase insurance for a vehicle and that applicants maintain ownership of each vehicle covered by the applicant's automobile insurance policy. The findings also stated that Kerley purposely circumvented these requirements when he added a customer to her friend's existing automobile insurance policy when he knew that the customer did not qualify because the customer did not have a valid state-issued operator's license, as required, and his employer permitted only family members to be added to an insurance policy, and friends did not qualify. The findings also included that Kerley used the manual option on his employer's computer systems to create an automobile insurance verification card for the customer and then added her to the friend's policy when he knew she did not qualify.

FINRA found that Kerley, without a customer's knowledge, signed the customer's name to an inspection report and knowingly submitted the inspection report to his firm to change a vehicle on the customer's existing insurance policy. FINRA also found that Kerley submitted other false or misleading insurance documentation to the firm. The firm required that certain life insurance applicants provide an oral specimen test (OST) to the firm to gather details about the applicants' behaviors and health status to assess the applicants' insurance risk. Kerley submitted OSTs when he knew that the applicant had not in fact provided the swab, but that someone else had provided the specimen on the applicant's behalf.

The suspension is in effect from February 6, 2012, through February 5, 2014. (**FINRA Case #2010022365401**)

**Vladimir Khosid (CRD #5603183, Registered Representative, San Francisco, California)** submitted an Offer of Settlement in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, Khosid consented to the described sanction and to the entry of findings that while an assistant branch manager at a banking affiliate of his member firm, he, without permission or authority, wrongfully processed bank wire transfers where funds totaling $98,847 were transferred from the account of a deceased bank customer to the account of Khosid's co-conspirator. The findings stated that Khosid was compensated $25,000 by his co-conspirator for his role in the wrongful conversion of the customer's funds. The findings also stated that during an interview with the bank's investigator, Khosid admitted to participating in the

wrongful conversion of the customer's funds. Subsequently, Khosid admitted to FINRA his role in the wrongful conversion and that he accepted a wire transfer submitted to him by the co-conspirator that he knew was fraudulent, the customer was deceased, the proceeds were going into the co-conspirator's account and that he received $25,000 as a result of his participation in the scheme. (**FINRA Case #2010023570001**)

**Doil Kim (CRD #5739789, Registered Representative, Rolling Meadows, Illinois)** submitted an Offer of Settlement in which he was fined $12,500 and suspended from association with any FINRA member in any capacity for 12 months. The fine must be paid either immediately upon Kim's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the allegations, Kim consented to the described sanctions and to the entry of findings that he engaged in undisclosed outside business activities while registered with a member firm; he engaged in mortgage brokering activities without providing prompt written notice to his firm. The findings stated that Kim failed to timely respond to FINRA requests for information.

The suspension is in effect from January 17, 2012, through January 16, 2013. (**FINRA Case #2010024329101**)

**John Derek Lane (CRD #301717, Registered Principal, Fairfield, Connecticut)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined $20,000 and suspended from association with any FINRA member in any principal capacity for 30 days. The fine must be paid either immediately upon Lane's reassociation with a FINRA member firm or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Lane consented to the described sanctions and to the entry of findings that he failed to take reasonable steps to follow up and ensure that his delegation of supervisory responsibility to an individual, his firm's CCO, was effective and otherwise ensure that a particular branch was appropriately supervised. The findings stated that Lane delegated to the individual all compliance-related duties, including the drafting and amending of the firm's WSPs and responsibility for ensuring that a branch office was appropriately supervised. During the individual's tenure with the firm, he was a part-time CCO, who was simultaneously working as a compliance officer and/or Financial and Operations Principal (FINOP) at several other FINRA member firms. The findings also stated that from the time the branch opened through when the individual left the firm, the individual only visited the branch approximately 10 times, primarily during the period the office was being established. After this time, the individual's visits to the branch dropped dramatically, including when the branch was engaged in its first private placement offering at the firm. The findings also included that Lane was aware of the individual's part-time status at the firm and the fact that he was providing consulting services to several other firms simultaneously. Lane was also aware that the individual had expressed reservations about being able to adequately supervise two registered representatives at the branch, who had significant disciplinary histories, as a part-time CCO. Lane was on notice of the WSP deficiencies and the individual's infrequent visits to the branch.

FINRA found that Lane failed to ensure that the firm established, maintained and enforced a system of supervisory control policies and procedures that tested and verified that its supervisory procedures were reasonably designed with respect to the firm's activities and its registered representatives and associated persons to achieve compliance with applicable securities laws and regulations, and created additional or amended supervisory procedures where the need was identified by such testing and verification. FINRA also found that Lane failed to prepare an annual certification that the firm had in place processes to establish, maintain, review, test and modify written compliance policies and WSPs reasonably designed to achieve compliance with applicable FINRA rules and federal securities laws and regulations, and that he had conducted one or more meetings with the firm's CCO in the preceding 12 months to discuss such processes.

The suspension was in effect from February 6, 2012, through March 6, 2012. (**FINRA Case #2010020872301**)

**Bruce Libman (CRD #1859821, Registered Representative, Melville, New York)** submitted an Offer of Settlement in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, Libman consented to the described sanction and to the entry of findings that he invested funds a friend provided in a private securities transaction pursuant to a participation agreement with the company and failed to notify his member firm in writing and obtain its approval prior to making the investment. Libman received compensation from the company as a result of the private securities transaction. The findings stated that FINRA requested that Libman provide, among other things, all records for all bank accounts and financial accounts in which he had an interest. In response, Libman produced certain monthly statements and copies of certain checks drawn from his accounts, but failed to provide any copies of checks deposited into the accounts. The findings also stated that FINRA requested additional information pertaining to Libman's deposits and specifically pertaining to the deposit of $202,673.58, to include the identity of the person or the entity providing the funds and the purpose for which the funds were provided to Libman. FINRA also requested that Libman identify each deposit that included funds obtained directly or indirectly from his friend. The findings also included that Libman, through his counsel, refused to provide FINRA the requested bank documents and information relating to the bank deposits. Libman's counsel also informed FINRA that Libman would no longer cooperate with the investigation. (**FINRA Case #2009016911206**)

**Jovany Josefy Lind (CRD #5211913, Registered Representative, Bronx, New York)** was barred from association with any FINRA member in any capacity. The sanction was based on findings that Lind willfully failed to disclose a material fact on his Form U4. The findings stated that Lind repeatedly failed to respond to FINRA requests for information in connection with FINRA's investigation of the circumstances of his termination with his member firm. (**FINRA Case #2009020589801**)

**Paul Thomas Lysan (CRD #1219203, Registered Principal, Wakefield, Massachusetts)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined $7,500 and suspended from association with any FINRA member in a FINOP capacity for 10 business days. Without admitting or denying the findings, Lysan consented to the described sanctions and to the entry of findings that he failed to reasonably discharge his obligations as his member firm's FINOP and CCO. The findings stated that Lysan was responsible for, among other things, ensuring that the firm's quarterly FOCUS reports were accurate and that the firm's financial books and records were accurate. The findings also stated that Lysan, as FINOP and CCO, knew, or should have known, that the firm was trading for its own account and that, as a result, its financial books and records should have reflected this net capital requirement. The findings also included that Lysan was the person responsible for ensuring timely and accurate FOCUS Report filings during his association with the firm. None of the firm's quarterly FOCUS Reports for a calendar year accurately reflected the firm's net capital, excess net capital, minimum required net capital or proprietary inventory.

FINRA found that throughout the time of Lysan's association with the firm, the firm used the bookkeeping services of an officer of the firm and one of its owners. Lysan was responsible for supervising the officer's activities as bookkeeper at the firm and was responsible for ensuring that personnel at the firm were appropriately fingerprinted when required by SEC rules. Throughout the officer's association with the firm, she worked from her home, where she maintained original financial books and records for the firm. At no time was the officer fingerprinted. FINRA also found that Lysan, who was directly responsible for registration at the firm and for supervising the officer's bookkeeping activities, knew, or should have known, that her fingerprints should have been submitted to the SEC pursuant to the requirements of Securities Exchange Act Rule 17f-2.

The suspension was in effect from February 6, 2012, through February 17, 2012. (**FINRA Case #2009016452501**)

**Craig Richard Margolies (CRD #2508047, Registered Representative, Toms River, New Jersey)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for 15 business days. Without admitting or denying the findings, Margolies consented to the described sanctions and to the entry of findings that he improperly sought sales charge waivers in connection with mutual fund transactions totaling approximately $124,765.02. The findings stated that Margolies placed the mutual fund trades involving Class A shares for customers at NAV despite the fact that the purchases did not qualify for that pricing. When Margolies entered the trades electronically, he improperly indicated that the mutual fund purchases were occurring in firm employees' accounts, which would qualify the customers to purchase the shares without paying the initial sales charge described in each fund's prospectus. The purchases at issue, however, were for non-employee customer accounts at the firm and therefore not eligible for a sales charge waiver. The findings also stated that the improper sales charge waivers Margolies entered caused the firm's books and records to contain false information regarding the customers' entitlement to such waivers.

The suspension was in effect from February 6, 2012, through February 27, 2012. (**FINRA Case #2009016230602**)

**Raymond Martin (CRD #1876256, Registered Principal, Saratoga Springs, New York)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid either immediately upon Martin's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Martin consented to the described sanctions and to the entry of findings that he conducted a financial consulting business without notifying his firm that the services he provided to customers included executing trades in their brokerage accounts. The findings stated that Martin specifically told the firm that the business was not securities-related. Martin was compensated for his services as a financial consultant. The findings also stated that Martin misrepresented to the firm the number of customers that the business had and the amount of compensation he received from those customers. Through his outside consulting business, Martin had limited trading authority or limited power of attorney over securities accounts at other broker-dealers. The findings also included that Martin failed to disclose his discretionary authority over the accounts to his firm and failed to disclose to the executing broker-dealers that he was associated with a firm. FINRA found that Martin falsely stated that he was not affiliated with a member firm on some account application forms.

The suspension is in effect from February 6, 2012, through August 5, 2012. (**FINRA Case #2010021680301**)

**Scott David Mason (CRD #3270983, Registered Principal, Debary, Florida)** submitted an Offer of Settlement in which he was suspended from association with any FINRA member in any capacity for 18 months and required to requalify by examination prior to associating with any member firm in any capacity after the suspension. In light of Mason's financial status, no monetary sanction was imposed. Without admitting or denying the allegations, Mason consented to the described sanctions and to the entry of findings that he established a hedge fund and participated in the sale of limited partnership units in the hedge fund to investors without his firm's approval. The findings stated that Mason failed to advise his firm that he had participated in the sale of the limited partnership units and failed to disclose his participation and continuing involvement on firm annual certifications. The findings also stated that Mason raised more than $1million in the sale of the limited partnership units outside the scope of his business with his firm. The findings also included that Mason sold the limited partnership units while not registered with FINRA in a capacity that permitted him to sell the units when he did sell them. FINRA found that Mason opened securities accounts for the hedge fund with other FINRA member firms and did not advise these firms that he was associated with a member firm, and did not advise his firm that he had opened securities accounts with other firms. FINRA also found that Mason did not request that duplicate confirmations and account statements be forwarded to his member firm.

The suspension is in effect from February 21, 2012, through August 20, 2013. (**FINRA Case #2009016363501**)

**Timothy Sean McEneny Jr. (CRD #2250543, Registered Principal, Brielle, New Jersey)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for 20 business days. Without admitting or denying the findings, McEneny consented to the described sanctions and to the entry of findings that he recommended unsuitable trades in a customer's account. The findings stated that McEneny recommended and caused the liquidation of the securities in a customer's account at his member firm, including mutual funds that represented a significant portion of the account assets, and invested the sales proceeds in the common stock of companies. McEneny recommended and caused the execution of several more purchase and sale transactions involving the common stock of those companies. The findings also stated that McEneny recommended and caused the liquidation of the assets in the account and used the sales proceeds to purchase one of the companies issued warrants. As a result of the transactions, the customer's account suffered a realized loss of approximately $36,615.65. The trading generated gross commissions of approximately $6,990. The findings also included that McEneny did not have reasonable grounds for believing that the recommended common stocks and warrants were suitable for the customer; the trading was inconsistent with her financial situations and needs, and his recommendations resulted in an overconcentration of the customer's assets in the securities of one or two companies, each of which carried a level of market risk that was not suitable for the customer given the amount invested and her financial resources.

The suspension was in effect from February 6, 2012, through March 5, 2012. (**FINRA Case #2010022207701**)

**John R. Montague (CRD #1466653, Registered Representative, Mantua, New Jersey)** was barred from association with any FINRA member in any capacity and ordered to pay $163,000, plus interest, in restitution to customers. The sanctions were based on findings that Montague converted $163,000 in customer funds for his personal use. The findings stated that Montague recommended that customers invest in a private investment but did not invest the funds on the customers' behalf; he instead deposited the funds into his own account for his personal use. The findings stated that Montague made payments to one customer totaling $1,125 from his personal checking account, but did not make any other payments to the customer or any other customer. The findings also stated that Montague failed to appear and testify at a FINRA on-the-record interview to answer questions in connection with its investigation of his misuse of customers' funds. (**FINRA Case #2009018858601**)

**Richard Anthony Neaton (CRD #2585328, Registered Representative, Port Charlotte, Florida)** was barred from association with any FINRA member in any capacity. The SEC imposed the sanction following an order denying Motion for Reconsideration of an SEC

opinion issued for an appeal of a NAC decision. The sanction was based on findings that Neaton willfully submitted Forms U4 that did not disclose material information, and willfully failed to update Forms U4 to disclose disciplinary actions and sanctions a state bar disciplinary board imposed on him. (**FINRA Case #2007009082902**)

**Patrick Eugene Patsko II (CRD #3064123, Registered Representative, Pittsburgh, Pennsylvania)** was fined $10,000 and suspended from association with any FINRA member in any capacity for nine months. The fine shall be due and payable if and when Patsko applies to associate with a member firm following the end of his suspension. The sanctions were based on findings that Patsko failed to timely respond to FINRA requests for information and willfully failed to disclose material information on his Form U4.

The suspension is in effect from February 6, 2012, through November 5, 2012. (**FINRA Case #2009019268202**)

**Vicki Lee Perchinske (CRD #2628617, Registered Representative, Canton, Ohio)** was fined $430,420.71, representing the total amount of ill-gotten gain she derived from her conversion of customer funds, and barred from association with any FINRA member in any capacity. The sanctions were based on findings that Perchinske misused and converted $430,420.71 from customers by liquidating their annuities and mutual funds, or withdrawing funds the customers held at a bank affiliated with her member firm, and using the proceeds to purchase cashier's checks, which were deposited into her personal bank account. The findings stated that Perchinske failed to respond to FINRA requests to appear for on-the-record testimony. (**FINRA Case #2010024843701**)

**John Pirozzi (CRD #4107205, Registered Representative, Staten Island, New York)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined $11,400, which includes the disgorgement of $1,400 of compensation received from investment referrals, and suspended from association with any FINRA member in any capacity for three months. Without admitting or denying the findings, Pirozzi consented to the described sanctions and to the entry of findings that he invested $25,000 of his money in undisclosed private securities transactions with some entities through an individual associated with these entities who was his client. The findings stated that Pirozzi and another broker jointly borrowed $236,000 from their member firm's customers in order to make an additional investment in the entities. Shortly after these entities' scheme collapsed, Pirozzi and the other broker fully repaid the customers. The findings also stated that the firm's procedures expressly prohibited borrowing money from clients. The findings also included that Pirozzi referred several individuals, including some of his firm's customers, to these entities. In return for arranging these transactions, Pirozzi received a total of $1,400 in compensation. Pirozzi neither provided his firm with written notice of his investments and his referrals, nor received from his firm written authorization to engage in these transactions.

The suspension is in effect from February 6, 2012, through May 5, 2012. (**FINRA Case #2009016911205**)

**Paul Lawrence Proscia (CRD #2618172, Registered Representative, Sayville, New York)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined $12,500 and suspended from association with any FINRA member in any capacity for 13 months. The fine must be paid either immediately upon Proscia's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Proscia consented to the described sanctions and to the entry of findings that he failed to amend his Form U4 in a timely manner to disclose material information. The findings stated that Proscia failed to timely respond to FINRA requests for information and documents.

The suspension is in effect from January 17, 2012, through February 16, 2013. (**FINRA Case #2010024775902**)

**Victor John Puzio (CRD #369095, Registered Principal, Rutherford, New Jersey)** submitted an Offer of Settlement in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for six months. Without admitting or denying the allegations, Puzio consented to the described sanctions and to the entry of findings that he failed to timely respond to numerous FINRA requests for information and documents sent during a FINRA examination of his member firm.

The suspension is in effect from February 21, 2012, through August 20, 2012. (**FINRA Case #2009016332401**)

**Derek Rashod Qualls (CRD #4419302, Registered Representative, Covington, Georgia)** was fined $5,000 and suspended from association with any FINRA member in any capacity for six months. The fine shall be due and payable if and when Qualls re-enters the securities industry. The sanctions were based on findings that Qualls failed to respond to FINRA requests for information and documents in a timely manner regarding his receipt of a loan from a bank customer.

The suspension is in effect from February 6, 2012, through August 6, 2012. (**FINRA Case #2010024436902**)

**Leonel Ramirez (CRD #5599833, Registered Principal, New Britain, Connecticut)** was barred from association with any FINRA member in any capacity. The sanction was based on findings that Ramirez failed to respond in a timely manner to FINRA requests for information and documents. The findings stated that Ramirez failed to provide a complete response to subsequent FINRA requests for information and documents. (**FINRA Case #2010021899402**)

**Randolph Thomas Redmond (CRD #2006473, Registered Representative, Holly, Michigan)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for one month. The

fine must be paid either immediately upon Redmond's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Redmond consented to the described sanctions and to the entry of findings that he engaged in outside business activities, in that he provided insurance and estate-planning services to individuals for which he received fees totaling approximately $79,000, and failed to give prompt written notice to his member firm that he was engaging in these outside business activities.

The suspension was in effect from February 6, 2012, through March 5, 2012. (**FINRA Case #2009020839601**)

**Melissa Rae Reppert (CRD #5470747, Registered Representative, San Diego, California)** submitted a Letter of Acceptance, Waiver and Consent in which she was fined $25,000 and suspended from association with any FINRA member in any capacity for five months. The fine must be paid either immediately upon Reppert's reassociation with a FINRA member firm following her suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Reppert consented to the described sanctions and to the entry of findings that she recommended to her firm's customers an investment in an unregistered and not publicly traded company. The findings stated that Reppert's firm did not participate in the sale of shares of the company and was not aware that Reppert recommended the company to customers as an investment. Reppert's firm's policies and procedures prohibit its registered representatives from selling securities in private transactions to firm customers. The findings also stated that when Reppert recommended an investment in the company to the customers, and while she was still employed at her firm, Reppert applied for an employment position with the company. Reppert received an offer of employment with the company and accepted the offer while still employed with her firm. The findings also included that the customers invested in total $300,000 in the company. Reppert facilitated the customers' purchase of shares in the company by transferring the funds from the customers' accounts at her firm to the company. Reppert received a $15,000 payment from the company in connection with the customers' investment in the company. FINRA found that prior to the customers' investment in the company, Reppert never informed her firm of her participation in the sale of the company shares to the customers and sold shares in the company to customers while employed at her firm and without the firm's knowledge or consent.

The suspension is in effect from January 17, 2012, through June 16, 2012. (**FINRA Case #2010024589701**)

**Sergio M. Ripamonti (CRD #2786045, Registered Representative, Sunny Isles Beach, Florida)** submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Ripamonti consented to the described sanction and to the entry of findings that

he conducted a securities business with an unregistered person. The findings stated that Ripamonti took instructions from, and acted for the financial benefit of, the unregistered person, who needed access to a broker-dealer to place trades for his customers. Even after Ripamonti learned that FINRA had barred the unregistered person from association with a member firm, he continued to act as a broker-of-record for customer accounts clandestinely controlled by the unregistered person. The findings also stated that Ripamonti accepted and placed dozens of trades for customer accounts at the behest of the unregistered person; and facilitated the unregistered person's unauthorized access to the customers' account information stored on the member firm's trading system, by providing the unregistered person with his password to the firm's system. The findings also included that Ripamonti was reimbursed for certain expenses using commission monies generated from trades for the customer accounts controlled by the unregistered person. (**FINRA Case #2010020869801**)

**Richard Patrick Sandru (CRD #2470082, Registered Principal, Fort Myers, Florida)** submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Sandru consented to the described sanction and to the entry of findings that he caused financial planning forms for investment advisory customers to be submitted to the corporate accounting office that services his member firm and its investment advisor affiliate without the customers' knowledge or authorization, and without providing the financial planning services described in the forms so that the customers were improperly charged fees ranging from $500 to $5,000 per financial plan. The findings stated that Sandru generated approximately $321,350 in unauthorized financial planning fees, which he converted for his personal benefit; Sandru received approximately $292,428.50 in accordance with his payout. The findings also stated that Sandru failed to respond to FINRA requests for information and documents and, through counsel, notified FINRA that he would not respond to any requests for information. (**FINRA Case #2011027854301**)

**Allan Anthony Scheer (CRD #2775825, Registered Principal, Melbourne, Florida)** submitted an Offer of Settlement in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for four months. The fine is to be paid upon reentry to the securities industry. Without admitting or denying the allegations, Scheer consented to the described sanctions and to the entry of findings that he misrepresented material information to potential customers regarding the returns associated with the index-linked certificates of deposit (CDs) that they each purchased from his member firm. The findings stated that the misrepresentations to the customers were material, as a reasonable investor considering whether to purchase the product would consider the rate of return to be considered significant. The findings also stated that Scheer's member firm terminated his employment for misrepresentation of product returns.

The suspension is in effect from February 6, 2012, through June 5, 2012. (**FINRA Case #2009019330601**)

**Peter William Shea (CRD #420778, Registered Principal, Pleasant Hill, California)** submitted an Offer of Settlement in which he was fined $7,500 and suspended from association with any FINRA member in any capacity for three months. In light of his financial status, Shea was not required to disgorge the $32,400 in earned commissions. Without admitting or denying the allegations, Shea consented to the described sanctions and to the entry of findings that he engaged in private securities transactions for compensation totaling approximately $32,400, without prior written notice to his member firm. The findings stated that Shea's member firm had written procedures that required written notice setting forth, in detail, the proposed transactions and the associated person's proposed role, and Shea acknowledged receipt of the procedures when completing his annual compliance questionnaire. The findings also stated that Shea's firm addressed private securities transactions/selling away in training provided to firm personnel.

The suspension is in effect from February 6, 2012, through May 5, 2012. (**FINRA Case #2007011125104**)

**Mark Simonetti (CRD #2245638, Registered Principal, Cedar Knolls, New Jersey)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined $10,000, suspended from association with any FINRA member in any capacity for three months, and consented to cooperate with FINRA Department of Enforcement staff in its continuing investigation of a matter, including the prosecution of the matter before a FINRA Hearing Panel, by, among other things, meeting with and being interviewed by the staff without FINRA's resorting to Rule 8210, and testifying truthfully at the hearing of the matter. The fine must be paid either immediately upon Simonetti's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier.

Without admitting or denying the findings, Simonetti consented to the described sanctions and to the entry of findings that during the time registered representatives at his member firm were soliciting customers to purchase a company's stock, Simonetti knew or became aware that the company, a foreign-based publicly traded company, had paid the co-owners and operators of a branch of the firm $350,000 for certain unspecified services. The findings stated that information was made available to Simonetti that indicated or suggested that the firm's CCO was not adequately discharging his supervisory and compliance responsibilities, but did not take any action to supervise the brokers to reasonably ensure that all brokers, including the branch co-owners and operators, disclosed all material information regarding the existence of the consulting agreement and the $350,000 payment from the company when they solicited customers to purchase the company's stock. The findings also included that counsel for another foreign-owned publicly traded company referred customers to the firm who were allegedly current and former employees of the company. The company's counsel handled all of the account opening matters, including obtaining customer signatures on new account documents and supporting documentation. FINRA found that nobody from the firm spoke to the

customers or attempted to confirm the accuracy of the information about the accounts before approving the accounts to be opened, and nobody from the firm ever had any direct contact with the customers during the time the accounts were opened at the firm. FINRA also found that the customers deposited collectively over 3.8 million shares of company stock. Pursuant to powers of attorney the company's CEO obtained to control the sales of the stock on behalf of the firm customers, the CEO, through counsel, directed one of the co-owners and operators of the branch to begin selling the company shares from the accounts. In addition, FINRA determined that the customers sold over $23 million of company stock collectively, all on instructions from the CEO. The transactions were the only transactions in the customers' accounts. The sales by the customers generated over $1.1 million in commissions for the firm, amounting to approximately 75 percent of all commissions the firm earned for approximately seven months. Moreover, FINRA found that despite knowing the CCO was not adequately discharging his compliance responsibilities and despite multiple red flags that should have alerted him to take action, Simonetti failed to monitor, analyze and investigate the suspicious transactions in order to determine if it was appropriate to file a Suspicious Activity Report (SAR-SF) form. Furthermore, FINRA found that three of the owners and operators of the branch participated in securities transactions for which they were entitled to commission compensation. The firm did not pay the commissions due directly to two of the individuals. Instead, by agreement, the firm, through Simonetti, and others agreed that $350,000 in commissions and expenses would be paid directly to one of the co-owners. The findings also stated that the firm wired $350,000 to the individual's personal bank account, not a business account. The commissions due to the three individuals exceeded $350,000 as of the date of the agreement. The findings also included that the firm's books and records did not reflect specific and accurate commission payments and by arranging for a lump sum payment of $350,000 of commissions and expenses to one of the individuals alone in a personal account, Simonetti caused the firm's books and records to be false or misleading in not reflecting the actual commission payments to each individual representative associated with the purchase and sale of the securities.

The suspension is in effect from February 6, 2012, through May 5, 2012. (**FINRA Case #2009019108902**)

**Nicholas Dean Skaltsounis (CRD #825000, Registered Principal, Richmond, Virginia)** was fined $10,000, suspended from association with any FINRA member in any capacity for 30 business days, and suspended from association with any FINRA member in any principal capacity for three months. The fine shall be due and payable on Skaltsounis' return to the securities industry. The sanctions were based on findings that Skaltsounis permitted registered representatives of his member firm to recommend and sell securities of a private placement without disclosing the fact that a previous offering had failed to make scheduled principal repayments, and allowed registered representatives to use a private placement memorandum (PPM) containing a material misstatement of fact when he knew, or should have known, that the PPM inaccurately represented that affiliated offerings had

never defaulted in the payment of their obligations. The findings stated that Skaltsounis relied on another FINOP as the primary resource person for the firm on the offerings, reviewed only one offering PPM and did not read it thoroughly. Skaltsounis misunderstood the limited oversight provided by the trustee bank in the offerings and did not know that the trustee did not have responsibility for reviewing the actions of the corporation through which the notes were offered. The findings also stated that although Skaltsounis informed the firm's registered representatives of missed principal repayments, he did not direct them to disclose it to their customers because he accepted without question the corporation's representations that the notes were fully collateralized, and believed that the missed payments in earlier offerings were unrelated to the offering because it was a stand-alone special purpose corporation and the cash flow problem would be resolved quickly. The findings also included that instead of recognizing that this might be an indication that the company's offerings could be employing Ponzi scheme practices, Skaltsounis viewed marketing the offering as an opportunity to raise money that would enable the company to lend to their other affiliates. Consequently, Skaltsounis did not suspend sales of the offering while ascertaining the dimensions of the repayment problem. FINRA found that Skaltsounis did eventually suspend sales of the notes to investors; but by that time, considerable damage had been done as a result of investors purchasing notes without knowing of the corporation's inability to fulfill its obligations to note holders

The suspension in any capacity is in effect from February 6, 2012, through March 19, 2012. The suspension is any principal capacity is in effect from February 6, 2012, through May 5, 2012. (**FINRA Case #2009018819001**)

**Angel Luis Suarez (CRD #3116550, Registered Principal, Briarwood, New York)** was barred from association with any FINRA member in any capacity. The sanction was based on findings that Suarez executed trades in the account of a customer at his member firm without the customer's knowledge, authorization or consent. The findings stated that Suarez intentionally executed unauthorized trades in the customer's account, and attempted to conceal his misconduct. When Suarez' firm confronted him with the allegations of unauthorized trading, he first tried to conceal the unauthorized trading by claiming that the customer had authorized the trades. When the firm threatened to check Suarez' telephone records, he stated that he had been desperate, and engaged in the unauthorized trading to generate commissions. The findings also stated that the firm cancelled the unauthorized trades and restored the customer's holdings so that the customer did not suffer any losses, and Suarez did not receive commissions for his unauthorized trades. The unauthorized trades would have generated $5,000 in commissions, if paid to Suarez, and would have resulted in a net loss of $1,930.97 to the customer. The findings also included that Suarez failed to respond to FINRA requests for information and documents. (**FINRA Case #2009019953501**)

**Ralph Edward Thomas Jr. (CRD #2179751, Registered Representative, Reisterstown, Maryland)** submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Restitution is being required in

connection with a separate criminal proceeding against Thomas arising from the same conduct. Without admitting or denying the findings, Thomas consented to the described sanction and to the entry of findings that he misappropriated more than $800,000 from vulnerable customers. The findings stated that a trust account was established for the benefit of a child with the proceeds of a $3 million medical malpractice settlement on the child's behalf. The child's relative was appointed guardian and trustee; the settlement proceeds were used to purchase an annuity for the child's benefit. The findings also stated that Thomas convinced the relative to move the trust account to the institutions where he worked and he advised her on both the brokerage and banking accounts. The findings also included that Thomas executed a scheme to obtain money through false pretenses by establishing complete control over the brokerage and banking accounts in the customer's trust account. Thomas ensured that the annuity payments which averaged $6,287.53 per month were deposited directly into the bank trust account; Thomas disbursed only $1,000 to $1,500 a month from the trust account for the child's care and converted the remainder of the money for his benefit.

FINRA found that Thomas withdrew money from the trust account by obtaining the relative's signature on blank withdrawal slips and used the signed withdrawal slips to withdraw money from the bank trust account and purchase cashier's checks, which were made payable to other financial institutions where Thomas held personal accounts. Thomas went to the bank numerous times to withdraw a total of $756,963.98 from the bank trust account, which he converted for his personal benefit. Thomas also converted $12,500 from the mother's personal bank account. FINRA also found that Thomas was the financial advisor for an elderly customer with an account at his member firm. Thomas withdrew $42,000 from an annuity held by the customer in her account with him, without the customer's knowledge, and used the withdrawn funds to purchase cashier's checks made payable to cash or to credit card companies where he, not the customer, held accounts. (**FINRA Case #2010022861802**)

**Ray Alexander Thompson (CRD #3209494, Registered Principal, Houston, Texas)** submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Thompson consented to the described sanction and to the entry of findings that he failed to provide FINRA requested testimony. (**FINRA Case #2010024707901**)

**Rebecca J. Tran (CRD #5733181, Registered Representative, York, Pennsylvania)** submitted a Letter of Acceptance, Waiver and Consent in which she was fined $15,000 and suspended from association with any FINRA member in any capacity for nine months. The fine must be paid either immediately upon Tran's reassociation with a FINRA member firm following her suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Tran consented to the described sanctions and to the entry of findings that she signed a customer's name on a firm Unified Managed Account Client Agreement, without

the customer's knowledge or authorization. The findings stated that Tran exercised discretionary power in the customer's account to effect, or cause to be effected, purchases and sales of securities. Tran exercised discretionary power in the account without having received proper written authorization from the customer to exercise discretion and without the firm having accepted the account as discretionary as NASD Rule 2510(b) required. The findings also stated that pursuant to questions that a firm supervisor raised about the trades that had occurred in the customer's account, Tran created a fictitious email and provided it to the supervisor. The email had purportedly been composed and sent to Tran by the customer, and it purported to express a change of mind about the investment strategy he wanted to pursue in his account.

The suspension is in effect from February 6, 2012, through November 5, 2012. (**FINRA Case #2011028803601**)

**Andrew Lindgren Wahtera (CRD #5076613, Registered Representative, Temple Hills, Maryland)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid either immediately upon Wahtera's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Wahtera consented to the described sanctions and to the entry of findings that he failed to timely respond to FINRA requests for information and documents.

The suspension is in effect from February 6, 2012, through August 5, 2012. (**FINRA Case #2009020819502**)

**Ronald Quinn Wilson (CRD #5772055, Registered Representative, Lees Summit, Missouri)** submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Wilson consented to the described sanction and to the entry of findings that he sat for the Series 66 examination at a FINRA Test Center and was required to abide by certain FINRA Test Center Rules of Honor relating to the examination which prohibited against assistance, the use of study materials, misconduct or leaving the test center during the examination. The findings stated that during the examination, Wilson took an unscheduled break, left the Test Center building and was later observed by Test Center staff reviewing study material while sitting in his car. Test Center staff confiscated Wilson's study material. The findings also stated that Wilson failed to appear for FINRA on-the-record interviews. (**FINRA Case #2010025241001**)

**Stephen White Wilson (CRD #2235561, Registered Representative, Thousand Oaks, California)** was barred from association with any FINRA member in any capacity. The NAC imposed the sanction following an appeal of an OHO decision. The NAC dismissed the Hearing Panel's findings related to fraudulent misrepresentations and omissions. The sanction was based on findings that Wilson engaged in unsuitable mutual fund switches in accounts of customers. The findings stated that Wilson failed to recommend less expensive fund alternatives within the same fund family, which would have avoided triggering new contingent deferred sales charge (CDSC) holding periods for Class B shares. Instead, Wilson liquidated the customers' equity fund holdings and used the proceeds to buy shares in equity funds in other fund families. As a result of the switches, the customers incurred more than $84,000 in CDSCs, lost the benefits associated with holding Class B shares until they were convertible to Class A shares and caused them to lose the time they would have accumulated towards being able to make such conversions. The findings also stated that Wilson engaged in unauthorized trading by effecting numerous mutual fund switches in customers' accounts without their permission. The findings also included that Wilson exercised discretion in customer accounts without the requisite written authorization. Wilson did not have any discretionary accounts and his member firm prohibited registered representatives from discretionary trading in retirement accounts. FINRA found that Wilson caused his member firm's books and records to be inaccurate when he caused his firm to make inaccurate entries in the mutual fund switch log that it required branch offices to maintain and to falsely represent that certain mutual fund transactions were unsolicited. (**FINRA Case #2007009403801**)

**Dominick Amadeo Zavaglia Jr. (CRD #5500264, Registered Representative, Miami, Florida)** submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid either immediately upon Zavaglia's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Zavaglia consented to the described sanctions and to the entry of findings that he willfully failed to timely disclose material facts on his Form U4 and also willfully filed an amendment to his Form U4 that was false and misleading.

The suspension is in effect from January 17, 2012, through July 16, 2012. (**FINRA Case #2011029709701**)

## Decisions Issued

**The Office of Hearing Officers (OHO) issued the following decisions, which have been appealed to or called for review by the NAC as of January 31, 2012. The NAC may increase, decrease, modify or reverse the findings and sanctions imposed in the decision. Initial decisions where the time for appeal has not yet expired will be reported in future FINRA Notices.**

**Mitchell Harris Fillet (CRD #207546, Registered Principal, Rockville, Maryland)** was fined a total of $20,000, suspended from association with any FINRA member in any capacity for six months for misrepresenting and failing to disclose material information in connection with the sale of securities to an investor, and suspended from association with any FINRA member in any capacity for two years for falsifying member firm records and submitting the falsified documents to FINRA. The suspensions are to be served concurrently. The sanctions were based on findings that Fillet misrepresented and omitted material information in connection with the sale of securities to an investor. The findings stated that Fillet drafted a Confidential Term Sheet for potential investors that contained numerous representations that were false at the time they were made. Fillet knew when he drafted the Term Sheet that the representations contained in it were not true as of the date on the cover page. Yet, despite knowing that the principal of the company for which Fillet's firm was acting as placement agent intended to use the Term Sheet to solicit investors, Fillet did not mark the Term Sheet as a draft, and did not take any steps to safeguard it from being disseminated. The findings also stated that without such safeguards in place, it was reckless of Fillet to have given the Term Sheet to the principal, when he knew the principal planned to use the document to solicit investors. The most significant misrepresentations were that two entities were ongoing businesses and that one of the entities operated under a global license from a corporation. The findings also included that Fillet failed to disclose the criminal background of the principal. Fillet was negligent, if not reckless, by failing to conduct additional research into the principal's background before drafting the Term Sheet and participating in the solicitation of the investor. FINRA found that Fillet falsified sets of variable annuity account documents that were submitted for firm customers. Fillet's signature and backdating falsely indicated that he had reviewed and approved the transactions when he had not. Fillet then provided the falsified documents to a FINRA examiner.

The decision has been appealed to the NAC and the sanctions are not in effect pending the appeal. (**FINRA Case #2008011762801**)

**John Brady Guyette (CRD #1711681, Registered Principal, Greeley, Colorado)** was fined a total of $86,140, which includes disgorgement of commissions, and suspended from association with any FINRA member in any capacity for a total of 12 months. The fine shall be due and payable on Guyette's return to the securities industry. The Hearing Panel declined to order restitution because a federal court appointed a receiver to collect the issuer's assets for the benefit of investors. The sanctions were based on findings that

Guyette fraudulently made misrepresentations in the course of recommending and selling investments in an offering to customers and omitted to inform customers of a material fact. The findings stated that Guyette failed to familiarize himself sufficiently with the offering materials and the risks they described, and instead simply relied upon what corporation employees and personnel told him. As a consequence, Guyette made representations to customers that were inconsistent with information provided in the offering materials on significant, material issues. The findings also stated that when Guyette became aware of circumstances that he should have recognized as red flag indicators of risks, he accepted the explanations offered by corporation personnel and attempted to assuage the concerns of his customers, instead of alerting them to growing indications that the offering might not be as safe an investment as he had consistently represented. The findings also included that a principal reason for Guyette's confidence in the notes' safety was his acceptance of the corporation's representations about the oversight role played by the designated bank trustee for each offering. Guyette was unaware that the PPM described a far more limited role for the trustee bank. Even though Guyette claimed that he had read the PPM for the offering before recommending it, he did not know that the trustee: was under no obligation to monitor, supervise or verify the corporation's acts or omissions; had no responsibility to make calculations of principal or interest; was not responsible for determining any collateral coverage ratios; and was not required to monitor whether the corporation defaulted or otherwise breached its obligations. FINRA found that Guyette did not participate in any of his firm's due diligence committee meetings concerning the offerings; never read the firm's due diligence reports describing the notes as high-risk and lacking liquidity and testified that if he had read and believed the risk warnings, he absolutely would not have sold the notes to his customers. FINRA also found that Guyette's due diligence reviews consisted primarily of his conversations with corporation employees and his trips to its office. Guyette accepted the corporation's claim that it had not missed any timely interest or principal payments. Guyette's uninformed acceptance of the representations of the corporation's personnel rendered his unsupported claims about the security of the notes reckless. Guyette's knowing failure to inform investors of missed principal repayments was a material omission that reasonable investors would consider important to know prior to deciding to invest in the offering. Im addition, FINRA determined that Guyette's recommendations to his customers were unsuitable because he lacked an adequate and reasonable understanding of the risks inherent in the notes he recommended to customers. By Guyette's own description, most of his customers were conservative investors. with average risk tolerance and had come to him concerned about the volatility of the stock market, seeking a secure investment alternative to stocks. The customers were older and sought income-producing investments; nonetheless, Guyette recommended that they invest in the offering. Because Guyette did not understand the risks, he was incapable of properly advising the customers.

Guyette appealed the decision to the NAC and the sanctions are not in effect pending the appeal. (**FINRA Case #2009018819001**)

## Complaints Filed

**FINRA issued the following complaints. Issuance of a disciplinary complaint represents FINRA's initiation of a formal proceeding in which findings as to the allegations in the complaint have not been made and does not represent a decision as to any of the allegations contained in the complaint. Because these complaints are unadjudicated, you may wish to contact the respondents before drawing any conclusions regarding these allegations in the complaint.**

**Larry Ivan Behrends (CRD #16971, Registered Principal, Greeley, Colorado)** was named as a respondent in a FINRA complaint alleging that he misrepresented and omitted material facts when he recommended and sold approximately $600,000 of securities issued by a company through a Regulation D private offering to customers. The complaint alleges that the company began defaulting on its payment obligations in its earlier Regulation D private offerings. For months, the company failed to make principal payments to investors and continually promised that the payments would resume. The complaint also alleges that Behrends knew, or should have known, that the company had failed to make principal payments to the note holders of previous offerings and also knew, or should have known, that the company continued to face financial difficulties and repeatedly failed to make principal payments to its note holders. Behrends further knew, or should have known, that the PPM for the offering was incorrect when it claimed that none of the company's affiliates had defaulted on their payment of obligations. The complaint further alleges that a customer informed Behrends of failed payments and Behrends had received notice of the formal defaults of previous offerings but he recommended and sold $600,000 of notes to customers without disclosing these material facts. In addition, the complaint alleges that Behrends continued to use the misleading PPM for the offering without notifying these customers that the company's affiliates had repeatedly failed to make principal payments. Behrends also knowingly or recklessly mischaracterized material facts about the offering to his customers, representing that the notes were a secure investment with a low risk and that the company had a record of always making its principal and interest payments in a timely fashion. Behrends received $29,250 in gross commissions from his sales of the notes to these customers. Moreover, the complaint alleges that Behrends recommended securities to customers without having a reasonable basis for believing that such recommendations were suitable based on the customers' ages, investment objectives, risk tolerances and needs. Some of the customers who purchased the notes sought income-producing investments to help them pay for living expenses in retirement. Behrends knew that these customers were not seeking high-risk investments. Furthermore, the complaint alleges that Behrends lacked an adequate and reasonable understanding of the risks inherent in the notes that he recommended to these customers but believed that, despite the fact that the company continued to default on principal payments to earlier investors, the notes were safe investments for these customers. The complaint also alleges that Behrends disregarded the significant red flags that should have warned him that

these investments were quite risky and potentially fraudulent. Because Behrends did not understand the risks of the notes, he was incapable of making suitable recommendations to these customers regarding the notes. (**FINRA Case #2010021559101**)

**Michael Jon Binstock (CRD #2728462, Registered Representative, Victoria, Minnesota)** was named as a respondent in a FINRA complaint alleging that he affixed photocopied signatures or otherwise altered multiple documents for several customers and submitted these altered documents to his member firm and destroyed the hard copies he had altered contrary to the firm's written policies and procedures that required that on all documents, customer signatures must be original, by the customer. The complaint alleges that Binstock's branch office supervisor and firm compliance specialists met with Binstock to question him about his practices with respect to firm documents and customer signatures. During the course of the firm's investigation, Binstock voluntarily resigned from the firm. The complaint also alleges that the firm received a complaint from a customer, concerning Binstock. The customer had an existing life insurance policy with the firm. Binstock processed a purchase of a variable universal life product for the customer and did not explain to the customer that he was keeping the existing policy in place, or that there would be premiums associated with the new policy. The customer was surprised that he had two life insurance policies and the customer had received a notice from the firm that he had to pay a premium, although he was not aware of any premiums. The complaint further alleges that the customer had previously received such a notice and Binstock told the customer that he would take care of it. Binstock had photocopied the customer's signature and affixed it to a distribution form without the customer's authorization; the form authorized a partial withdrawal of $2,100 from the customer's initial policy to fund an annual premium for the new variable universal life product; Binstock executed this transaction without the customer's knowledge or authorization. In addition, the complaint alleges that Binstock had previously used the same method to copy and paste the customer's signature on a mutual funds exchange request document which enabled Binstock to reallocate the customer's portfolio from mutual fund accounts to a partner international fund. Binstock enacted the transaction without the customer's knowledge or authorization and submitted both of these documents to the firm, and destroyed the hard copies. Moreover, the complaint alleges that some elderly firm customers asked Binstock to deposit $10,000 from a maturing CD into one of the customers' fixed universal life policy which was recorded as a premium, which resulted in a fee to the customer. The customer contacted Binstock, who stated that this was not accurate and that he would fix the situation. Binstock later stated that these customers were entitled to a check for $500 and accumulated interest; while registered at another member firm, he deposited $515.36 into their checking account from his family bank account, without the knowledge or authorization of his former firm and in order to settle the customer's complaint about his work on their accounts. Furthermore, the complaint alleges that by virtue of Binstock's conduct, he caused his firm to create and maintain inaccurate books and records. (**FINRA Case #2009018377601**)

**David Lerner Associates, Inc. (CRD #5397, Syosset, New York) and David E. Lerner (CRD #307120, Registered Principal, Manhasset, New York)** were named as respondents in a FINRA complaint alleging that the firm recommended and sold over $442 million of a $2 billion non-traded real estate investment trust (REIT) without performing adequate due diligence in violation of its suitability obligations. The complaint alleges that earlier REITs under the same management inappropriately valued the REITs' shares at a constant artificial price notwithstanding years of market fluctuations, performance declines, increased leverage and excessive return of capital to investors. The firm, in its capacity as best efforts underwriter for all of the REITs, continued to solicit thousands of customers to purchase the REIT without performing adequate due diligence to determine that there was a reasonable basis to recommend the security to any customer. The complaint also alleges that the firm failed to disclose material information and made misleading omissions regarding prior REIT distributions on its website. The complaint further alleges that the firm, through Lerner and other representatives, repeatedly gave seminar presentations to investors using seminar slides that were not fair and balanced, and did not provide a sound basis for evaluating the facts in regard to the REITs. In addition, the complaint alleges that Lerner made oral presentations regarding the REITs at seminars which constituted a public appearance and were communications with the public under the FINRA advertising rules. The seminar slides and Lerner's seminar presentations were not fair and balanced and omitted numerous material facts and qualifications that caused the communications to be misleading. The seminar slides and Lerner's seminar presentations contained numerous false, exaggerated, unwarranted or misleading statements and claims regarding the valuations, performance, prospects, risks, and practices of the REIT programs, as well as customer insurance protection through the firm and the prospects for a merger of the closed REITs. Moreover, the complaint alleges that to counter negative media attention regarding the firm and the REITs following the filing of the original complaint in this proceeding, Lerner sent letters to all of the firm's customers that omitted material information causing the communication to be misleading. The letters also contained exaggerated, false, and misleading statements regarding the valuations, performance, prospects, risks, and practices of the REIT programs. The complaint also alleges that to induce new and existing customers to purchase the REIT, Lerner and the firm negligently made untrue representations of material fact or omissions of material fact regarding the prior performance, steady distribution rates, unchanging valuations, and prospects of the closed REITs and/or the current REIT. The firm and Lerner made the untrue statements and omitted the material facts with intent to defraud investors or with recklessness. (**FINRA Case #2009020741901**)

**Paul Grover Gomez (CRD #702551, Registered Representative, El Toro, California)** was named as a respondent in a FINRA complaint alleging that he recommended, to customers, a complex option trading program that was unsuitable because the customers lacked the knowledge and experience necessary to evaluate the risks of the program. The complaint alleges that Gomez' options recommendations to the customers were unsuitable based

on their investment objectives, financial situations and needs, including being retired and on fixed incomes, and their lack of financial knowledge and experience which made them unable to evaluate the risks of the recommended transactions. Gomez did not have reasonable grounds for believing that the recommendations to the customers were suitable in light of their financial situations and needs. The complaint also alleges Gomez exercised discretion in customers' accounts to facilitate his short strangle options trading strategy. As a result of Gomez' unsuitable options recommendations the customers experienced cumulative losses of over $836,095 over a year. Gomez' recommendations to these customers were unsuitable because these customers did not have the knowledge and experience in financial matters to be reasonably expected to be capable of evaluating the risks of the options transactions that Gomez recommended. Gomez' recommendations to these customers also violated his obligations of fair dealing because he made misrepresentations to them by failing to fully apprise them of the extent of the risks in the program and losses they could experience by following his strategy and exaggerated the likely gains that they would enjoy. The complaint further alleges that Gomez misrepresented his option program by minimizing the risks and exaggerating the potential gains in describing and discussing his option program with his customers and supervisors at his member firm. The misstatements Gomez made and material information he omitted while describing the option program resulted in his failing to provide a fair and balanced discussion of his trading strategy. In addition, the complaint alleges that Gomez routinely informed the customers that they could expect enhanced returns of approximately 10 to 15 percent on their options transactions. At the same time Gomez was informing his customers of exaggerated potential returns that they could expect to earn from options trading, he also failed to fairly apprise them of the risks they were facing from these transactions. Gomez informed customers that by hedging, or through other strategies, he could limit their losses but, in actuality their positions were not hedged and he was unable to limit losses; some of Gomez's customers lost more than 70 percent of their account values, largely in a matter of days. Moreover, the complaint alleges that Gomez misled his supervisors about the risks he was taking in customers' accounts following his option program. In responding to questions from managers regarding what Gomez told his customers about expected options returns when he introduced them to his option program and during subsequent conversations, he told them that he informed his customers that they could expect annual returns of 5 percent to 7 percent when, in fact, he told his customers that they could expect significantly higher returns. Gomez also informed his supervisors that the potential risk of the options trading was limited to 15 percent of the customer's account; his option program was not risky and his customers' accounts were hedged. Furthermore, the complaint alleges that Gomez utilized discretion in customers' accounts without their prior approval and none of the accounts had been accepted by his firm as discretionary accounts. For a two year period, Gomez' customers, in whose accounts he exercised discretion, paid about $340,991.64 in commissions for his options trading. The complaint also alleges that Gomez utilized a de facto option program by systematically writing uncovered strangles on the stock index while exercising discretion

in numerous accounts. Gomez did not provide a written explanation of the nature and risks of his uncovered stock index strangle writing strategy to the customers in whose accounts he recommended and carried out the strategy. The complaint further alleges that Gomez failed to mark order tickets or electronic order entries to show when discretionary trades were made. In addition, the complaint alleges that Gomez' firm's written policies and procedures required that a customer who wanted to trade options submit a firm option information form for a due diligence review to be performed by a registered options principal. Instead of selecting only the actual investment objectives Gomez' customers desired and the type of trading that his customers intended to engage in on the form, he selected all investment objectives and all of the types of index option trading strategies in the option account information forms for several of his customers so that he would not have to fill out a new form and obtain the required authorizations from the registered options principal of his firm in case he decided to change the options strategy he was using in these accounts. As a result of his conduct, Gomez caused his firm's books and records to be false. (**FINRA Case #2009019302101**)

**Talman Anthony Harris (CRD #3209947, Registered Principal, Garden City, New York) and William John Scholander (CRD #2938044, Registered Representative, New York, New York)** were named as respondents in a FINRA complaint alleging that they, along with other individuals, entered into a consulting agreement with a company, pursuant to which the company was to pay them $350,000 to perform financial advisory services. The complaint alleges that the company paid Harris, Scholander and the other individuals $350,000, although no actual financial advisory services were provided, and they used the money to start a branch of a member firm. The complaint also alleges that Harris, Scholander, and brokers at the branch working under their direction recommended and solicited the purchase of over $2.8 million of company stock to firm customers. Harris and Scholander knew at the time of the solicitations of the consulting agreement with the company and that the firm, the branch, and they personally had benefited from the $350,000 payment made by the company pursuant to the agreement. The complaint further alleges that Harris and Scholander did not disclose the existence of the consulting agreement with the company or the $350,000 payment from the company to any customers from whom they solicited a purchase of company stock or the registered representatives who worked under their direction. By their failure, Harris and Scholander caused the other registered representatives to fail to disclose the agreement and the payment. In addition, the complaint alleges that the existence of the consulting agreement with the company and the $350,000 payment from the company were material information about which a reasonable investor would have wanted to know. Harris' and Scholander's failure to disclose the existence of the consulting agreement with the company and the $350,000 payment was intentional, or at a minimum reckless. Moreover, the complaint alleges that at the time Harris and Scholander entered into the consulting agreement with the company and received the $350,000 payment from the company pursuant to the agreement, they were employed by and registered with another FINRA member firm and failed to disclose

their outside business activity to the firm, in writing or otherwise. Furthermore, the complaint alleges that by arranging a $350,000 lump sum payment of commissions and expenses to an individual alone in her personal account, Harris and Scholander, acting with others, caused the firm's books and records to be false and misleading in not reflecting the actual commission payments to each individual representative associated with the purchase and sale of the securities. (**FINRA Case #2009019108901**)

**Hojin Kyung (CRD #2659191, Registered Principal, San Diego, California)** was named as a respondent in a FINRA complaint alleging that he misappropriated insurance premium payments made by customers of an insurance entity, an affiliate of his member firm. The complaint alleges that insurance customers gave Kyung checks totaling $3,443.57 as payment of premiums on insurance policies; one check was for a policy not sold by the insurance company. Kyung deposited the customers' check into his personal trust account, rather than the insurance company's account where he had deposit access only. The complaint also alleges that Kyung withdrew cash from the trust account and that at various times the account had a negative balance and had checks returned for insufficient funds. The complaint further alleges that Kyung did not remit the funds as payment for the insurance policies. Kyung remitted the customer's funds to the insurance company's outside counsel after it initiated collection proceedings against him and after FINRA commenced its investigation into this matter. (**FINRA Case #2009020752301**)

**Michael Shawn McGee (CRD #2639358, Registered Representative, Detroit, Michigan)** was named as a respondent in a FINRA complaint alleging that he engaged in outside business activities by participating in the management of a restaurant he operated through a limited liability company in which he had an ownership interest without providing prompt written notice to his member firm. The complaint alleges that McGee induced a customer to withdraw $20,000.70 from her IRA at the firm, combined this amount with other funds and gave McGee a $21,000 check, made payable to herself and endorsed to the "doing business as" name of a real estate company McGee owned; McGee and the customer had a vague, ill-defined agreement that the funds would be invested in a real estate or other business venture. The complaint also alleges that the check was deposited into a checking account belonging to the real estate company and for almost a year, McGee used a portion of the funds to pay the restaurant's expenses; the customer had no knowledge of how her funds were used and there was no agreement whereby she would share in the restaurant's profits or benefit in any way from McGee's use of her funds in this manner. The complaint further alleges that after the customer questioned the firm about the $21,000 payment to McGee, he remitted this amount to the firm which then returned the funds to the customer. (**FINRA Case #2009017511901**)

**Paul Ellsworth McIntosh (CRD #5458088, Registered Principal, Allen, Texas)** was named as a respondent in a FINRA complaint alleging that he executed unauthorized trades on his computer terminal at his member firm and posted the trades that were profitable to a relative's IRA, and the trades that were not profitable he posted to an account that firm

customers controlled, without the knowledge, consent or authorization of the customers. The complaint alleges that the unauthorized transactions resulted in over $40,000 in losses in the customers' accounts. The complaint also alleges that McIntosh's firm canceled the transactions after it discovered that the transactions had been entered in the customers' accounts without their knowledge, authorization or consent. The complaint further alleges that McIntosh placed a portion of the unauthorized transactions which generated losses of $33,200.60 in his firm's error account and transferred the losses to the customers' accounts; McIntosh structured the transfers so that they were in amounts greater than $900, but less than $1,000, using a system provided by his firm's clearing firm. McIntosh used a system normally used for journaling software fees and miscellaneous expenses to customer accounts, is limited to amounts below $1,000 and does not require principal review and approval. In addition, the complaint alleges that in transferring the losses to the customers without their knowledge, authorization or consent, McIntosh exercised unauthorized ownership over funds in the customer accounts and converted to his benefit customer funds which he neither owned nor was entitled to own. McIntosh's firm reimbursed the customers for the losses transferred to their accounts. (**FINRA Case #2010021448201**)

**Firms Cancelled for Failure to Pay Outstanding Fees Pursuant to FINRA Rule 9553**

**Allegiant Securities L.L.C. (CRD #133912)**
Miami, Florida
(January 11, 2012)

**American Classic Financial Company (CRD #24099)**
Colorado Springs, Colorado
(January 24, 2012)

**Cohen Capital Group, LLC (CRD #43418)**
New York, New York
(January 11, 2012)

**Hanmi Asset Securities, Inc. (CRD #137893)**
Los Angeles, California
(January 30, 2012)

**Lighthouse Capital Corporation (CRD #41812)**
Monterey, California
(January 30, 2012)

**Madison Williams and Company, LLC (CRD #149530)**
New York, New York
(January 30, 2012)

**Securities Corporation of America (CRD #15286)**
Dallas, Texas
(January 30, 2012)

**Windfall Securities LLC (CRD #147779)**
San Francisco, California
(January 30, 2012)

**Firms Suspended for Failure to Pay Annual Assessment Fees Pursuant to FINRA Rule 9553**

**(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)**

**Carter, Terry & Company, Inc. (CRD #16365)**
Atlanta, Georgia
(January 10, 2012 – January 13, 2012)

**Monarch Financial Corporation of America (CRD #23437)**
New York, New York
(January 10, 2012 – January 26, 2012)

**Pacific American Securities, LLC (CRD #42999)**
San Diego, California
(January 10, 2012)

**Sequoia Investments, Inc. (CRD #39341)**
Roswell, Georgia
(January 10, 2012 – January 20, 2012)

**Individuals Barred for Failure to Provide Information or Keep Information Current Pursuant to FINRA Rule 9552(h)**

**(If the bar has been vacated, the date follows the bar date.)**

**Edelfonso Taloma Bagaporo (CRD #4194351)**
Bonita, California
(January 3, 2012)
FINRA Case #2010025148802

**Michael Dewayne Carter Sr. (CRD #2069269)**
Antioch, California
(January 9, 2012)
FINRA Case #2011027121101

**Arlene Debra Cassinelli (CRD #2970803)**
Elk Grove, California
(January 17, 2012)
FINRA Case #2011026454801

**Christopher Michael Christanelli (CRD #5103101)**
Henrietta, Texas
(January 3, 2012)
FINRA Case #2011027102601

**Todd Nall Farmer (CRD #4364321)**
Deltona, Florida
(January 20, 2012)
FINRA Case #2011028115301

**Jeremiah Theodore Henderson (CRD #715850)**
Country Club Hills, Illinois
(January 20, 2012)
FINRA Case #2011027397901

**Armen Hovakimian (CRD #1676110)**
New York, New York
(January 20, 2012)
FINRA Case #2011027924601

**Andre Roosevelt Johnson (CRD #5472674)**
Philadelphia, Pennsylvania
(January 10, 2012)
FINRA Case #2011027309801

**Michael Frank Louis (CRD #2287160)**
Boca Raton, Florida
(January 30, 2012)
FINRA Case #2010022406301

**Ramiro Martinez (CRD #4540476)**
Hockley, Texas
(January 20, 2012)
FINRA Case #2011026126601

**Theodore Mark Olson (CRD #2294381)**
Hudson, Ohio
(January 17, 2012)
FINRA Case #2011026787201

**Victor Carl Pesavento (CRD #5745905)**
Crown Point, Indiana
(January 9, 2012)
FINRA Case #2011026318401

**David Peter Roskopf (CRD #4570408)**
Jackson, Wisconsin
(January 20, 2012)
FINRA Case #2011028206001

**Scott Alan Ross (CRD #2427058)**
Austin, Texas
(January 3, 2012)
FINRA Case #2010025125501

**Brandon E. Scott (CRD #5686132)**
Union City, New Jersey
(January 20, 2012)
FINRA Case #2011028977801

**Edward Marlone Slay (CRD #3245274)**
Westlake, Ohio
(January 9, 2012)
FINRA Case #2010024263801

**Terry Phillip Walters (CRD #1777491)**
Raleigh, North Carolina
(January 9, 2012)
FINRA Cases
#2010023780801/#2009020625502

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**Individual Revoked for Failure to Pay Fines and/or Costs Pursuant to FINRA Rule 8320**

**(If the revocation has been rescinded, the date follows the revocation date.)**

**Randall Allen Gissendaner (CRD #2130232)**
Covington, Georgia
(January 26, 2012)
FINRA Case #2009016709013

**Individuals Suspended for Failure to Provide Information or Keep Information Current Pursuant to FINRA Rule 9552(d)**

**(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)**

**Felipe Arellano (CRD #5757952)**
Little Elm, Texas
(January 23, 2012)
FINRA Case #2011027365801

**Vladimir Avin (CRD #2625858)**
Miami, Florida
(January 20, 2012)
FINRA Case #2011027599401

**John Michael Bayer (CRD #2990440)**
Wheaton, Illinois
(January 17, 2012)
FINRA Case #2011027757301

**Richard Scott Bradley (CRD #2461987)**
Canton, Ohio
(January 6, 2012)
FINRA Case #2010024229701

**Julio C. Ceballos (CRD #5816285)**
Bronx, New York
(January 9, 2012)
FINRA Case #2011026634101

**Christopher Collins (CRD #2167964)**
Southampton, New York
(January 23, 2012)
FINRA Case #2011027608601

**Shelley Marie Damske (CRD #5026067)**
Sparks, Nevada
(November 3, 2011 – January 31, 2012)
FINRA Case #2011028552001

**Chris Tedd Enriquez (CRD #4155630)**
San Diego, California
(October 24, 2011 – January 13, 2012)
FINRA Case #2010025148801

**John Millar Fife (CRD #2895184)**
Chicago, Illinois
(January 27, 2012)
FINRA Case #2011029203701

**Pauline Neil Fife (CRD #5984779)**
Chicago, Illinois
(January 27, 2012)
FINRA Case #2011029203701

**James Lamonte Foster (CRD #3063987)**
Munster, Indiana
(November 10, 2011 – January 24, 2012)
FINRA Case #2011027720001

**Karl Edward Hahn (CRD #2487638)**
Portsmouth, New Hampshire
(January 6, 2012)
FINRA Case #2010023825301

**Stephen Battle Hales Jr. (CRD #2772790)**
Perry Hall, Maryland
(January 17, 2012)
FINRA Case #2011027952901

**Kelly Jo Herman (CRD #3251183)**
Sioux Falls, South Dakota
(January 6, 2012)
FINRA Case #2010024155901

**Jeffery Maurice Herring (CRD #5254337)**
Norfolk, Virginia
(January 6, 2012)
FINRA Case #2010023710201

**Diane Young Hilek (CRD #1573040)**
Kennedale, Texas
(January 23, 2012)
FINRA Case #2011026665001

**Eric Scott Housman (CRD #1111661)**
Tulsa, Oklahoma
(January 12, 2012)
FINRA Case #2011029252901

**Lucile Tomlinson Lansing (CRD #341225)**
Carmichael, California
(January 9, 2012)
FINRA Case #2011026280501

**Keith Kirkpatrick Lemley (CRD #1520929)**
Fort Myers, Florida
(January 17, 2012)
FINRA Case #2011027970001

**Francis Montalvo (CRD #4784312)**
New York, New York
(January 9, 2012)
FINRA Case #2011026546601

**Roxanne Michelle Morrissey (CRD #5335151)**
Newcastle, Oklahoma
(January 23, 2012)
FINRA Case #2011029324201

**Marthe Blondye Ngo Banag (CRD # 5623648)**
Snellville, Georgia
(January 17, 2012)
FINRA Case #2011027827201

**Jose Luis Pagan (CRD #4563287)**
Belleville, New Jersey
(January 9, 2012)
FINRA Case #2011029306501

**Paul Gerard Pfeiffer (CRD #4842017)**
Sun City Center, Florida
(January 6, 2012)
FINRA Case #2011026896201

**Larry Gene Rau (CRD #1557459)**
Battle Lake, Minnesota
(January 6, 2012)
FINRA Case #2010024155901

**James Rhodes Jr. (CRD #1692302)**
Phoenix, Arizona
(January 6, 2012)
FINRA Case #2010023950001

**Patricia Claire Rodriguez (CRD #1947350)**
Miami, Florida
(January 12, 2012)
FINRA Case #2011028128801

**Michael Terrence Schaeffer (CRD #4289460)**
Inver Grove Heights, Minnesota
(January 6, 2012)
FINRA Case #2010023443401

**Amber L. Spotted Elk (CRD #5910795)**
Berthoud, Colorado
(January 9, 2012)
FINRA Case #2011029604401

**Marc Jason Taubin (CRD #2465430)**
Wilton, Connecticut
(January 6, 2012)
FINRA Case #2010021197501

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**Individual Suspended for Failure to Pay Arbitration Fees Pursuant to FINRA Rule 9553**

**(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)**

**Timothy Burke Ruggiero (CRD #2119642)**
Plantation, Florida
(January 10, 2012)
FINRA Arbitration Case #08-00632

**Individuals Suspended for Failure to Comply with an Arbitration Award or Settlement Agreement Pursuant to FINRA Rule 9554**

**(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)**

**Joey Wade Dean (CRD #3061136)**
Hot Springs, Arkansas
(January 13, 2012)
FINRA Arbitration Case #11-02204

**Frank Arthur Dittrick (CRD #3104276)**
Pompano Beach, Florida
(January 13, 2012)
FINRA Arbitration Case #11-01429

**Michael John Ferraro (CRD #2677694)**
Manorville, New York
(January 9, 2012)
FINRA Arbitration Case #10-04795

**James Carl Gaul (CRD #218833)**
Lower Bank, New Jersey
(January 9, 2012)
FINRA Arbitration Case #10-04661

**Bryant Sean Hayward (CRD #2784251)**
Parker, Colorado
(January 9, 2012)
FINRA Arbitration Case #11-01894

**William David Heiden Jr. (CRD #2883964)**
Greenfield, Massachusetts
(January 9, 2012)
FINRA Arbitration Case #09-06530

**Ronald John Kambic (CRD #1920540)**
Evergreen Colorado
(January 13, 2012)
FINRA Arbitration Case #11-00912

**Timothy Llewellyn Kelly (CRD #2107818)**
Rye, New York
(January 9, 2012)
FINRA Arbitration Case #09-05813

**William Donald Miller Jr. (CRD #1039867)**
Witchita, Kansas
(January 13, 2012)
FINRA Arbitration Case #11-00921

**Randall Lane Pope (CRD #1469681)**
Fort Collins, Colorado
(January 9, 2012)
FINRA Arbitration Case #10-05297

**Jeffrey Rachlin (CRD #823547)**
Pleasantville, New York
(January 9, 2012)
FINRA Arbitration Case #10-04661

**Lynn Gordon Schultz (CRD #1052349)**
Rockville Centre, New York
(January 13, 2012)
FINRA Arbitration Case #10-00417

**Edward Francis Scro (CRD #2321985)**
Conklin, New York
(January 9, 2012)
FINRA Arbitration Case #10-03879

**Edward Francis Scro (CRD #2321985)**
Conklin, New York
(January 13, 2012)
FINRA Arbitration Case #10-04745

**Amarjeet Singh (CRD #3227519)**
Naperville, Illinois
(January 9, 2012)
FINRA Arbitration Case #10-04822

**Eric Anthony Solis (CRD #1444147)**
Corona Del Mar, California
(July 9, 2009 – January 11, 2012)
FINRA Arbitration Case #06-04460

**Joseph Matthew Wagner (CRD #3103114)**
Laurel, Maryland
(January 9, 2012)
FINRA Arbitration Case #09-06057

**Donald Alan Wilson (CRD #1947954)**
Sausalito, California
(January 11, 2012 – January 31, 2012)
FINRA Arbitration Case #10-01622

**David Alan Witter (CRD #4519401)**
Winter Park, Florida
(August 30, 2011 – January 23, 2012)
FINRA Arbitration Case #10-05675

## FINRA Fines Citigroup Global Markets $725,000 for Failure to Disclose Conflicts of Interest in Research Reports

The Financial Industry Regulatory Authority (FINRA) announced that it has fined Citigroup Global Markets, Inc. $725,000 for failing to disclose certain conflicts of interest in its research reports and research analysts' public appearances.

Citigroup failed to disclose potential conflicts of interest inherent in their business relationships in certain research reports it published from January 2007 through March 2010. Citigroup and/or its affiliates managed or co-managed public securities offerings, received investment banking or other revenue from, made a market in the securities of and/or had a 1 percent or greater beneficial ownership in covered companies, and did not make these required disclosures in certain research reports. In addition, Citigroup research analysts failed to disclose these same potential conflicts of interest in connection with public appearances in which covered companies were mentioned.

Brad Bennett, FINRA Executive Vice President and Chief of Enforcement, said, «Citigroup failed to make required conflict of interest disclosures which prevented investors from being aware of potential biases in its research recommendations. Firms need to provide investors with full and accurate information so they will be able to take it into consideration before making an investment decision.»

FINRA found that Citigroup failed to disclose the required information because the database it used to identify and create the disclosures was inaccurate and/or incomplete due primarily to technical deficiencies. In addition, Citigroup failed to have reasonable supervisory procedures in place to ensure that the firm was populating its research reports with required disclosures.

In concluding this settlement, the firm neither admitted nor denied the charges, but consented to the entry of FINRA›s findings.

## FINRA Fines Merrill Lynch $1 Million for Failure to Arbitrate Disputes With Employees

The Financial Industry Regulatory Authority (FINRA) announced that it has fined Merrill Lynch, Pierce, Fenner & Smith $1 million for failing to arbitrate disputes with employees relating to retention bonuses. Registered representatives who participated in the bonus program had to sign a promissory note that prevented them from arbitrating disagreements relating to the note, forcing the registered representatives to resolve disputes in New York state courts.

FINRA found that Merrill Lynch, after merging with Bank of America in January 2009, implemented a bonus program to retain certain high-producing registered representatives and purposely structured it to circumvent the requirement to institute arbitration proceedings with employees when it sought to collect unpaid amounts from any of the registered representatives who later left the firm. FINRA rules require that disputes between firms and associated persons be arbitrated if they arise out of the business activities of the firm or associated person.

In January 2009, Merrill Lynch paid $2.8 billion in retention bonuses structured as loans to over 5,000 registered representatives. The promissory notes required registered representatives to agree that actions regarding the notes could be brought only in New York state court, a state which greatly limits the ability of defendants to assert counterclaims in such actions. Also, Merrill Lynch structured the program to make it appear that the funds for the program came from MLIFI, a non-registered affiliate, rather than from the firm itself, allowing it to pursue recovery of amounts due in the name of MLIFI in expedited hearings in New York state courts to circumvent Merrill Lynch›s requirement to arbitrate disputes with its associated persons. Later that year, after a number of registered representatives left the firm without repaying the amounts due under the loan, Merrill Lynch filed over 90 actions in New York state court to collect amounts due under the promissory notes, thus violating a FINRA rule that requires firms to arbitrate disputes with employees.

Brad Bennett, FINRA Executive Vice President and Chief of Enforcement, said, «Merrill Lynch specifically designed this bonus program to bypass FINRA›s rule requiring firms to arbitrate disputes with employees, and purposefully filed expedited collection actions in New York State courts and denied those registered representatives a forum to assert counterclaims.»

FINRA›s investigation was conducted by Lisa Wilcox, Gary Lisker and Joshua Doolittle, under the supervision of Thomas Lawson, Enforcement Chief Counsel.

In concluding this settlement, the firm neither admitted nor denied the charges, but consented to the entry of FINRA›s findings.